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Central Intelligence Agency
Inspector General

REPORT OF INVESTIGATION

ALLEGATIONS OF CONNECTIONS BETWEEN CIA AND THE CONTRAS IN COCAINE TRAFFICKING TO THE UNITED STATES
(96-0143-IG)

VOLUME I: THE CALIFORNIA STORY

January 29, 1998

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OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS STAFF

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Note: This is an unclassified version of a Report of Investigation that included information that is classified for national security reasons pursuant to Executive Order 12958 and sensitive law enforcement information. To the fullest extent possible, the text of this unclassified version is the same as that included in the classified version. Where different language has been required for national security or law enforcement purposes, the revised language is as close as possible to the original text.

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GLOSSARY OF TERMS

AKA	Also Known As
ALIAS	Fictitious name used by a person--an Agency staff employee, a contractor, or an asset--to hide true identity
ARDE	Democratic Revolutionary Alliance
ASSET	A person with a formal relationship characterized by a witting agreement and a degree of commitment and control and who provides information or services
AUSA	Assistant United States Attorney
BATF	Bureau of Alcohol, Tobacco and Firearms
CATF	CIA DO/Latin America Division/Central America Task Force
CCE	Continuing Criminal Enterprise
DCD	CIA DO/Domestic Collection Division
DCI	Director of Central Intelligence

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DDCI	Deputy Director of Central Intelligence
DDO	CIA Deputy Director for Operations
DEA	Drug Enforcement Administration
DIA	Defense Intelligence Agency
DO	CIA Directorate of Operations
DoD	Department of Defense
DoJ	Department of Justice
DoJ/OIG	Department of Justice/Office of Inspector General
DoS	Department of State
FARN	Nicaraguan Revolutionary Armed Force
FBI	Federal Bureau of Investigation
FDN	Nicaraguan Democratic Force (Fuerza Democratica Nicaraguense)
FNU	First Name Unknown
FPLG	CIA DO/PCS/Freedom, Privacy and Litigation Group
FR	CIA DO/Foreign Resources Division

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FRS	Sandino Revolutionary Front
FSLN	Sandinista National Liberation Front
GRAYMAIL	Threat to disclose classified or sensitive information to preclude prosecution
GRN	Nicaraguan Government of National Reconstruction
HAC	House Appropriations Committee
IG	Inspector General
IMS	CIA DO/Information Management Staff
INS	Department of Justice/ Immigration and Naturalization Service
IRO	CIA DO/Information Review Officer
LA DIVISION	CIA DO/Latin America Division
LAPD	Los Angeles Police Department
LASD	Los Angeles County Sheriff's Department
LNU	Last Name Unknown
NSC	National Security Council
OGC	Office of General Counsel

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OIC	Office of Independent Counsel
OIG	Office of Inspector General
PAR	Performance Appraisal Report
PCN	Nicaraguan Democratic Conservative Party
PCNE	Conservative Party of Nicaraguans in Exile
RN	Nicaraguan Resistance
RVO	CIA DO/Records Validation Officer
SFRC	Senate Foreign Relations Committee
UDN/FARN	Nicaraguan Democratic Union/ Nicaraguan Revolutionary Armed Forces
UDN	Nicaraguan Democratic Union
UNO	United Nicaraguan Opposition

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ALLEGATIONS OF CONNECTIONS BETWEEN CIA AND THE CONTRAS IN COCAINE TRAFFICKING TO THE UNITED STATES (96-0143-IG)

Volume I: The California Story

January 29, 1998

INTRODUCTION

1. ***San Jose Mercury News* Allegations of CIA/Contra Involvement in Narcotics Trafficking.** In August 1996, the *San Jose Mercury News* published a three-part series of articles titled "Dark Alliance." The series related to a drug ring in California and its alleged connections to the Central Intelligence Agency (CIA)-backed Nicaraguan Contra resistance of the 1980s. (See Exhibit.)

2. ***August 18, 1996: Part One.*** The first article in the series, published on August 18, 1996, set forth the primary allegation that a drug ring in the San Francisco Bay area had "sold tons of cocaine to the Crips and Bloods street gangs of Los Angeles and funneled millions in drug profits to a Latin American guerrilla army run by the U.S. Central Intelligence Agency." The article frequently referred to the Contra movement as the "CIA's army."

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3. The first article also made other specific allegations of CIA knowledge of, or involvement in, the drug ring's activities. According to the article, Contra financiers had allegedly met with CIA "agents" both before and while cocaine, in crack form, was being sold in Los Angeles. Further, these Contra financiers allegedly delivered cocaine on a cut-rate basis to Ricky Donnell Ross, a South Central crack dealer, who turned the cocaine into crack and sold it wholesale to gangs. The article further alleged that court records indicated that "the cash Ross paid for the cocaine was then used to buy weapons and equipment" for the large Contra group, Fuerza Democratica Nicaraguense (FDN). It further alleged that cocaine was "virtually unobtainable in black neighborhoods before members of the CIA's army started bringing it into South Central in the 1980s at bargain-basement prices."

4. The first article also discussed Oscar Danilo Blandon Reyes' role in the drug ring. Blandon, a former FDN leader and Ross' cocaine supplier, according to the article, had testified at a then-recent San Diego drug trafficking trial that he had started working to raise money for the Contras in late 1981 and that the drug ring sold almost a ton of cocaine in the United States that year. The article did not report exactly how much money was purportedly given to the Contras by Blandon, but reported Blandon's testimony that "whatever we were running in L.A., the profit was going to the Contra revolution."

5. The first article also reported that Blandon's operation was raided in 1986 and that his defense attorney had suggested that CIA had withdrawn its support of his cocaine operation because Congress had authorized $100 million in aid to the Contras in that year. According to the article, Blandon "told a San Francisco federal grand jury in 1994 that once the FDN began receiving American taxpayer dollars, the CIA no longer needed his kind of help." Blandon said that he and others in the drug ring then began running their drug business for themselves. According to the article, Blandon's defense attorney admitted that Blandon "never told him directly that he was selling cocaine for the CIA," but the attorney reportedly had come to

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this conclusion "from the atmosphere of CIA and clandestine activities that surrounded Blandon and his Nicaraguan friends."

6. Another member of the ring alleged by the first article to have been connected to the Contras was Juan Norwin Meneses Cantarero. Meneses was a major California drug trafficker for whom Blandon worked and who was able to avoid imprisonment for many years, according to the article. The article alleged that representatives of the Drug Enforcement Administration (DEA), the U.S. Customs Service and the Los Angeles County Sheriff's Department had complained that investigations into the well-known Meneses organization were "hampered by the CIA or unnamed national security interests." The article also reported that Meneses had posed for a photograph with Contra leader Adolfo Calero, "a longtime CIA operative," and that Meneses had been an adviser to Enrique Bermudez, the military commander of the U.S.-backed Contra forces.

7. The first article reported that Meneses' connections to the Contras were disclosed when he was convicted of drug charges in Nicaragua in 1992. The article reported that Enrique Miranda, a relative of Meneses' and a former Nicaraguan military intelligence officer, had alleged during Meneses' trial that Norwin Meneses and his brother Luis Enrique had "financed the Contra revolution with the benefits of the cocaine they sold" with the help of Salvadoran military personnel. According to the article, U.S. General Accounting Office records "confirm that El Salvador's air force was supplying the CIA's Nicaraguan guerrillas with aircraft and flight support services throughout the mid-1980s." The article also reported that Meneses had "close personal and business ties to a Salvadoran air force commander and former CIA agent named Marcos Aguado."

8. ***August 19, 1996: Part Two.*** Part two of the "Dark Alliance" series, published on August 19, 1996, focused on the so-called "Frogman Case." In early 1983, San Francisco police apprehended several members of the drug trafficking ring after arresting several swimmers who were bringing ashore 430 pounds of cocaine. The article stated that one of the individuals arrested, a Nicaraguan named Carlos Augusto Cabezas, was connected to the Meneses

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organization. The article also reported that, in June 1984, the attorney for the cocaine ring's alleged leader, Julio Zavala, had asked the U.S. Government to return cash that had been seized from Zavala's apartment because Zavala insisted the money had been given to him by the Contras to buy supplies. The article also reported that Cabezas had testified at the trial that he had been sent to Costa Rica by Zavala to retrieve cocaine from Horacio Pereira. According to the article, Pereira was "in frequent contact with Contra commanders" and was a business associate of Norwin Meneses. The article reported that Pereira--who was later convicted of drug charges--and two Contras were the cocaine suppliers for the Frogman ring.

9. ***August 20, 1996: Part Three.*** The third part of the *San Jose Mercury News* series was published on August 20, 1996. This article focused on the spread of crack in Los Angeles and the disparity in sentencing of drug traffickers in the United States. It included no additional allegations regarding involvement of CIA or Contra personnel in drug trafficking.

10. ***Subsequent Comment.*** On May 11, 1997, *San Jose Mercury News* Executive Editor Jerry Ceppos wrote an editorial acknowledging that the "Dark Alliance" series as published in August 1996 had several shortcomings. "We presented only one interpretation of complicated, sometimes-conflicting pieces of evidence," Ceppos wrote. While the series had implied that Bay Area drug ring profits were funneled to the Contras for most of the 1980s, Ceppos wrote, the article had omitted Blandon's testimony in which he stated that he sent cocaine profits to the Contras for only about a year. Ceppos also noted that the imprecise language of the series had "strongly implied CIA knowledge" of the drug ring, although this was never explicitly stated. He wrote, "Although members of the drug ring met with Contra leaders paid by the CIA and [the series' author Gary] Webb believes the relationship with the CIA was a tight one, I feel that we did not have enough proof that top CIA officials knew of the relationship."

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11. ***Inspector General Investigation.*** As a result of the allegations published in the *San Jose Mercury News* series "Dark Alliance" in August 1996, Director of Central Intelligence (DCI) John Deutch asked the CIA Inspector General (IG) to conduct an investigation into the alleged connections of the CIA-backed Nicaraguan Contras and narcotics trafficking in California during the 1980s.

12. Specifically, the DCI asked that the Inspector General examine:

- Any information in CIA's possession since 1980 relating to Danilo Blandon, Juan Norwin Meneses, or Ricky Donnell Ross;

- Any information in CIA's possession relating to possible drug trafficking activities by the Contras in California or elsewhere in the United States, and what action, if any, CIA took upon receiving such information; and,

- Any contacts between CIA and DEA, Federal Bureau of Investigation (FBI), Department of Justice (DoJ), U.S. Attorney's Offices, or other U.S. law enforcement agencies relating to the individuals and issues.

(Copy follows.)

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SUMMARY

13. **Scope of IG Investigation.** This CIA Inspector General investigation included an examination of all information in CIA possession concerning Ross, Blandon and Meneses, and CIA knowledge of any drug trafficking allegations in regard to persons directly or indirectly involved in Contra activities. The investigation also included an examination of allegations of drug trafficking by CIA assets, other individuals associated with CIA who dealt with the Contras, and companies and individuals involved in providing support to Contra activities in Central America in the 1980s on behalf of CIA.

14. The Report of Investigation is being issued in two volumes. Volume I addresses the "California Story"--findings regarding whether CIA knew of narcotics trafficking by Ross, Meneses or Blandon in Southern California. It also includes findings related to whether CIA knew of the narcotics trafficking activities of Julio Zavala and Carlos Cabezas in Northern California, and their possible ties to the Contras, and CIA's contacts with the San Francisco U.S. Attorney's Office in connection with "The Frogman Case."

15. **Conclusions: Volume I.** The following conclusions are based on the Findings in Volume I of this Report:

- **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

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- **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

- No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any commitment to support the Contra cause or Contra activities undertaken by CIA.

- Blandon and Meneses claim that they each donated between $3,000 and $40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

- Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

- **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

- **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras**? No information has been found to indicate that CIA or

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individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas, or others who were arrested or charged in connection with the Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

- No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized from Zavala belonged to the Contras, it appears this was done through Zavala's wife's connections with old family friends and not because Zavala was active in the Contra movement.

- **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those who were arrested or charged did have a relationship with CIA until mid-1982.

- **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not

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appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

16. **Volume II.** Volume II will address findings related to CIA's knowledge of any other alleged drug trafficking by the Contras or other persons associated with the Contra program. It also will describe CIA's interactions with U.S. law enforcement agencies and the Congress regarding Contra personnel and activities that were subject to drug-related allegations. Conclusions regarding those issues will be included in Volume II.

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SCOPE OF INVESTIGATION

17. On September 3, 1996, DCI John Deutch asked CIA IG Frederick P. Hitz to conduct an internal review of the allegations in the *San Jose Mercury News* series "because of the seriousness of the allegations and the need to resolve definitively any questions in this area . . . . " This review was to include all information in CIA's possession since 1980 relating to:

- Danilo Blandon, Juan Norwin Meneses Cantarero or Ricky Donnell Ross;

- Possible drug trafficking activities by the Contras in California or elsewhere in the United States, and what action, if any, CIA took upon receiving such information; and

- Any contacts between CIA and DEA, FBI, DoJ, U.S. Attorney's Offices, or other U.S. law enforcement agencies relating to these individuals and issues.

18. In establishing the parameters of the investigation, the Office of Inspector General (OIG) decided that it was necessary to go beyond the scope of DCI Deutch's request in order to ensure thoroughness and completeness. Thus, it was determined that any information in CIA's possession, regardless of its date, concerning Blandon, Meneses and Ross, should be retrieved and reviewed. Further, any information in CIA's possession regarding possible drug trafficking activities by the Contras or CIA contacts with U.S. law enforcement agencies regarding such information during the entire "Contra era" should be retrieved and reviewed. In this regard, OIG defined the "Contra era" as the period in the early 1980s from the organization of groups in opposition to the installation of a Sandinista Government in 1979 through the period leading to the assumption of power by the first non-Sandinista President, Violetta Chamorro, in the spring of 1990. Thus, the Contra era under

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review in the investigation comprised the period from 1981 through 1989.

19. Criteria were also developed by OIG in an effort to facilitate the identification and retrieval of any information in CIA's possession regarding drug trafficking by the Contras in California or elsewhere in the United States. Because drug trafficking activities might be reported without sufficient information to identify the eventual destination of the drugs, and since the United States was the leading consumer of drugs during the relevant time frame, any information regarding drug trafficking by persons associated with CIA or the Contras that was not related specifically to consumption in a foreign country was considered to be within the scope of this investigation. In addition, this investigation extended to any contact by CIA with any U.S. law enforcement agency regarding possible drug trafficking by persons associated with CIA in the Contra program or the Contras and was not limited to such contacts regarding drug trafficking where the United States was the known destination of the drugs.

20. The investigation included review of any information in CIA's possession relating to CIA knowledge of drug trafficking allegations in regard to any person directly or indirectly involved in Contra activities and was not limited to official members of Contra organizations or to the leadership of those organizations. In addition, the investigation sought to examine any information in CIA's possession relating to allegations of drug trafficking by CIA assets and other individuals who were associated with CIA and dealt with the Contras, or by companies and individuals that were involved in providing support to Contra-related activities in Central America in the 1980s on behalf of CIA. Finally, the investigation included information in CIA's possession regarding how CIA handled and responded to information regarding allegations of drug trafficking by persons or companies in these categories.

21. The investigation was not intended to prove or disprove allegations of drug trafficking by specific individuals or organizations. Further, the description in this Report of drug trafficking allegations involving any individual or organization does

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not represent any position by OIG regarding the veracity of the allegations. The investigation also was not intended to review or evaluate the effectiveness of any CIA covert action programs in Central America in the 1980s.

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PROCEDURES AND RESOURCES

22. The Office of Inspector General (OIG) responded to the DCI's tasking of September 3, 1996 by immediately forming an investigative team that included three Investigators, an Auditor, a Research Assistant, and a Secretary. By November 1996, the team was expanded to encompass 17 full-time OIG Investigators, Inspectors, Auditors, and another Research Assistant. Additionally, four other individuals with expertise in specific areas also joined the investigative team for periods of time ranging from one to eight months.

23. OIG constructed a comprehensive tasking memorandum that was distributed to all CIA components on September 12, 1996. The OIG tasking memorandum requested that OIG be furnished with all information regarding three broad areas:

- Copies of all internal and external documents and information relating to any CIA connection with, or knowledge of, the activities of the following individuals who are identified in the *San Jose Mercury News* article: Danilo Blandon, Juan Norwin Meneses Cantarero, Ricky Donnell Ross, Carlos Augusto Cabezas, Adolfo Calero, Orlando Murillo, Luis Enrique Meneses Cantarero, Enrique Miranda, Enrique Bermudez, Marcos Aguado, Julio Zavala, and Horacio Pereira;

- Copies of all internal and external documents and information regarding possible drug trafficking and related activities directed toward or conducted within the United States by the Contras or persons associated with the Contras, and what actions CIA took in response to the receipt of such information;

- Copies of all internal and external documents relating to any contacts between CIA and the Drug Enforcement

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> Administration, Federal Bureau of Investigation, Justice Department, U.S. Attorneys' Offices, and other U.S. federal, state, or local law enforcement agencies and any foreign law enforcement entities or other organizations relating to the individuals listed above or possible drug trafficking and related activities by the Contras directed toward or conducted within the United States.

The tasking memorandum directed that responses include all relevant official and unofficial files, memoranda, taskings, notes, letters, correspondence, communications, finished intelligence, electronic mail and other computer messages, cable traffic, briefing books, calendars, and personal notes. All categories of material were to be included in response regardless of their classification or sensitivity.

24. OIG also issued two Employee Bulletins--on September 12, 1996 and October 23, 1996--with copies distributed to every CIA employee--informing them of this investigation and asking employees who may have knowledge of the issues under investigation to contact OIG. On September 30, 1996, OIG placed an article in the Agency newsletter, *What's News at CIA*, requesting that CIA employees contact OIG with any information potentially relevant to this investigation.

25. By March 1997, OIG had received approximately 50,000 pages of documents provided by Agency components. In May, the team received an additional 42,000 pages of documentary material, including information drawn from the Agency's holdings of Iran-Contra-related documents that had been provided to the Independent Counsel for Iran-Contra Matters, Lawrence Walsh. Additional documentary material responding to specific OIG follow-up taskings of Agency components continued to be received through December 1997. In total, OIG reviewed about one-quarter million pages of documents and indexed over 53,000 pages into its investigative records. By the conclusion of the investigation, these documents were organized into more than 104 three-ring binder volumes and 26,000 pages of documents in other files.

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26. Documents relating to operational, security, polygraph, and personnel matters were obtained from appropriate components within the Directorate of Operations (DO) and the Directorate of Administration. Files relating to relevant Agency assets, operations and counterintelligence issues were reviewed. Records from the Office of General Counsel (OGC) were obtained and reviewed. The Agency's collection of records that responded to the Office of the Independent Counsel for Iran-Contra Matters (OIC)--comprising approximately 300 linear feet of Agency and other Executive Branch documents--was reviewed and potentially relevant information was obtained by OIG.

27. Relevant current and long-term finished intelligence, as well as memoranda and other records, from the Directorate of Intelligence and the National Intelligence Council were obtained and reviewed by OIG. Memoranda, briefing materials and other relevant information from the Office of the DCI were reviewed. Information from the Office of Congressional Affairs and the Office of the Comptroller was obtained, as were documents from the Directorate of Science and Technology. Reporting from other Intelligence Community agencies, including the National Security Agency and the Defense Intelligence Agency, that had been shared with CIA and was available in CIA databases was provided by CIA components to OIG.

28. OIG also worked with the Department of Justice/Office of the Inspector General (DoJ/OIG) in common areas of investigative interest and jurisdiction. OIG reviewed relevant records obtained by DoJ/OIG relating to the transmittal of information concerning Contra-drug trafficking allegations between CIA and law enforcement agencies. OIG also engaged in direct communications with the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA) to review relevant information. OIG also contacted DoJ's National Drug Intelligence Center and DEA's El Paso Intelligence Center for potentially responsive information.

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29. OIG detailed two officers to the National Archives where the records of the OIC for Iran-Contra Matters reside. Their function was to review those records and obtain copies of those that were relevant to this investigation. A forensic analysis regarding specific documents that were obtained from a U.S. District Court was conducted, at OIG's request, by the DoJ's Immigration and Naturalization Service Forensic Laboratory.

30. Also reviewed were available records relating to briefings that were provided by Agency officials to the Congressional intelligence oversight committees. Complete records of all briefings were not available, since the committees and CIA officials did not always create records of information briefings provided to committee staff.

31. OIG conducted over 365 interviews with individuals who possessed potentially relevant information. In some cases, individuals were interviewed more than once as new information developed. These interviews included current and former Agency employees and other current or former U.S. Government officials. Also interviewed were individuals--both in the United States and abroad--who were involved with the Contras in the 1980s on behalf of CIA and other persons who were in a position to know what CIA may have known, or done, about Contra-related individuals who were allegedly involved in drug trafficking. Most individuals who were interviewed were administered an oath attesting to the truthfulness of their statements. The OIG interviews involved travel to four continents and throughout the United States. OIG conducted a number of interviews jointly with DoJ/OIG where common investigative interests existed.

32. The persons interviewed also included senior Agency management officials, including DCI George Tenet, former DCI Robert Gates, former Deputy Director of Central Intelligence (DDCI) and Deputy Director for Operations (DDO) John McMahon, former DDO Richard Stolz, several former DO Chiefs of Latin America Division, and relevant former Chiefs of the DO/Central American Task Force (CATF). A large number of CIA officers--both current and

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retired--who were involved in support of the Contras in the 1980s were interviewed. Former Contra leaders, including Eden Pastora, Adolfo Calero and Alfonso Robelo were interviewed. OIG also interviewed Ricky Ross, Danilo Blandon and Norwin Meneses.

33. Seven people declined OIG's request to be interviewed. They include six former CIA personnel--a middle-level officer who resigned from CIA some time ago; Duane Clarridge; Joseph Fernandez; Clair George; John McCavitt; and Gerald Svat--and Celerino Castillo, a former DEA employee. Three other former senior Agency managers responded in writing to questions posed by OIG.

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BACKGROUND

Origin and Development of the Contra Conflict

34. The efforts of the Nicaraguan Contra organizations to unseat the Sandinista Government in Nicaragua spanned much of the 1980s but had their roots in earlier events. A 1911 treaty between the United States and Nicaragua gave the United States the right to intervene in Nicaraguan affairs, and U.S. Marines were dispatched to Nicaragua in 1912 to protect U.S. economic interests. The two-decade military occupation that followed helped foster the development of a guerrilla opposition, led by Augusto Cesar Sandino, that sought to rid Nicaragua of U.S. influence. The U.S. Marines left Nicaragua in 1933, but opposition to Nicaraguan National Guard Commander Anastasio Somoza Garcia, who had then assumed power, continued thereafter.

35. In 1961, the Frente Sandinista de Liberacion Nacional (FSLN) was founded in Havana when Carlos Fonseca's Nicaraguan Patriotic Youth organization merged with Tomas Borge's Cuban-supported insurgent group. From its inception through the early 1970s, the FSLN was a marginal group that failed to marshal popular support or succeed in its low-level guerrilla war. The 1972 earthquake that devastated the capital city of Managua, however, changed the nature of the conflict. Support for the rebels increased because of the Somoza Government's profiteering from international relief efforts. Thereafter, fighting between FSLN elements and the National Guard steadily increased. The 1978 assassination of Pedro Joaquin Chamorro, editor of the opposition newspaper *La Prensa,* brought new protests that swept the country and swelled the ranks of the FSLN with new recruits. Additionally, non-Marxist resistance groups began to join with the FSLN, leading ultimately to the creation of a Broad Opposition Front. The Front sought to draw people from all economic classes, ages and professions into the anti-Somoza opposition.

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36. In February 1979, the U.S. Department of State (DoS) announced that the United States would suspend all new economic and military aid to Nicaragua because of Somoza's unwillingness to accept a negotiated settlement. The suspension of U.S. aid pulled the last support from under Somoza, and he fled the country in July. After Somoza's departure, Sandinista forces moved into Managua and assumed power. The United States quickly extended diplomatic recognition and offered aid. Despite the American actions, the new Sandinista Government turned increasingly against the United States and moved closer to Cuba and the Soviet Bloc. The Cubans were particularly active in educational programs that featured a strong pro-Marxist, anti-U.S. bias.

37. The leadership of the post-Somoza Government, known as the Government of National Reconstruction (GRN), was initially a five-person directorate led by Daniel Ortega. It was composed of two FSLN members, a leftist intellectual and two moderate business representatives from the Broad Opposition Front. Before the inaugural session of a new national assembly, known as the Council of State, the FSLN unilaterally increased the total number of seats. This ensured FSLN control of the assembly and led the moderate business members of the directorate, Alfonso Robelo and Violetta Chamorro, Pedro's widow, to resign in April 1980.

38. Despite promising free elections, free enterprise, an independent judiciary, and an end to political oppression, the Sandinistas seized television and radio stations, censored *La Prensa*, and established a Cuban-modeled internal security apparatus. In 1980, the Sandinista Government announced that it would not hold national elections until 1985. This convinced many Nicaraguans that the prospects for a true democracy were growing dimmer under FSLN dominance. In published statements, Sandinista officials expressed their desire for better relations with the United States and insisted that they had no intention of supporting insurgencies aimed at subverting their neighbors. Their actions, however, began to raise additional doubts. Weapons and equipment sent by Cuba through Nicaragua began making their way to rebels in El Salvador.

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39. During the Carter Administration, the United States was in "competition" with Cuba for the allegiance of the Nicaraguan Government and hoped that friendly relations could be maintained. Although President Carter authorized aid to the GRN, he also authorized support to the democratic elements in Nicaragua in the fall of 1979 because of the direction of the Sandinista's policies. In January 1981, Carter suspended financial aid to the GRN. The incoming administration of President Reagan continued this policy. Concern about the Sandinista's internal repression, their growing military force, their ties to the Soviet Bloc, and their support for the Salvadoran insurgency led Washington to consider ways to increase assistance to the regime's opponents. These opponents came to be called the Contras.*

40. Several groups of Contras began to emerge in the early 1980s. The Democratic Revolutionary Alliance (ARDE) and the Sandino Revolutionary Front (FRS) operated out of bases along Nicaragua's southern border with Costa Rica, while the Nicaraguan Democratic Force (FDN) operated out of camps in southern Honduras along Nicaragua's northern border. Initially, the FDN in the north was primarily composed of former National Guardsmen, although its membership and leadership diversified as the war progressed. ARDE and the FRS in the south were composed primarily of former Sandinistas. Following a merger of ARDE and FRS, both the FDN and ARDE/FRS relied on the U.S. Government for military and monetary aid. Both suffered significantly from the cessation by Congress of official U.S. aid between 1984 and 1986. During this time, these groups appealed to other governments and private sources for funds to continue their political and military efforts against the Sandinistas.

41. Although the Sandinista military was larger and better equipped, the FDN and ARDE posed a serious threat to the Sandinista Government because of the economic damage they caused

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* The Contras in the 1980s were also referred to as "the Democratic Resistance." In accord with the language of the DCI's letter tasking this investigation, the term "Contras" is used throughout this report.

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to the Nicaraguan infrastructure. The FDN emerged by 1987 as an effective force, and it actually controlled areas of northern Nicaragua for a time.

42. In 1985, the United Nicaraguan Opposition (UNO) was formed to represent a coalition of Northern and Southern Front Contra groups. However, UNO was fraught with personality and ideological conflicts and made little progress in developing a political program that enhanced the Contra's appeal. As a result, UNO dissolved in early 1987 and was replaced by the Nicaraguan Resistance (RN) in May 1987. The RN expanded the resistance assembly, incorporated previously unrepresented blocs to broaden its appeal, and directed military operations along the Northern and Southern Fronts.

43. In March 1988, both the Contras and Sandinistas, exhausted by the conflict and encouraged by the United States and Central American governments, signed a cease fire agreement. A series of agreements reached at Tesoro Beach, El Salvador in February 1989 and Tela, Honduras in August 1989 defined the framework that ended the conflict. The Contras were permitted to return to Nicaragua and compete in open elections monitored by international observers. On February 25, 1990, Violetta Chamorro, leader of the National Opposition Union political alliance, defeated Daniel Ortega in the Nicaraguan presidential election. On April 25, 1990 she took office, and the remaining Contra forces began demobilization.

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Central Intelligence Agency Involvement with the Contras

44. As the Sandinistas assumed control of the Nicaraguan Government (GRN), suppressing political opposition and deferring elections, many early supporters broke with the regime and left Nicaragua. Exiled mostly in Costa Rica, Honduras and the United States, many formed groups seeking the overthrow of the Sandinista Government. By 1981, groups of resistance fighters in Honduras, in particular, had sought military assistance from the Honduran Government.

45. In 1981, DCI William Casey created the Central America Task Force (CATF) at CIA. A Presidential Finding, signed by President Reagan in December 1981, authorized Agency covert and paramilitary operations, facilitated through friendly governments, against Cuban and Sandinista targets involved in arms trafficking to insurgents in Central America. The Agency was initially allocated $19 million to support and conduct political and paramilitary operations in Nicaragua and elsewhere in Central America. Substantial numbers of Agency officers and amounts of equipment began arriving in Honduras in January 1982.

46. CIA personnel became involved in building and maintaining the Contra forces. The Agency established a primary base of operations in Honduras. This base supported the FDN, led by Enrique Bermudez and Adolfo Calero. Airfields throughout the region were used to support Contra forces, and CIA personnel also trained Contra fighters and served as advisors to the leadership.

47. In 1982, CIA also began to provide support to Creole and Indian groups operating in Eastern Nicaragua and to the group of former Sandinistas under the leadership of Eden Pastora that was based in Costa Rica. The Agency provided support to Pastora and the allied Sandino Revolutionary Front/Democratic Revolutionary Alliance groups (FRS/ARDE) from 1982 to 1984.

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48. To ensure CIA's program did not go beyond arms interdiction, Congress enacted an Intelligence Authorization Act in December 1982 that prohibited CIA from supplying money, arms, training, or support to any individual or organization seeking to overthrow the GRN or involved in provoking military confrontations between Nicaragua and Honduras. Despite this restriction, in 1983 the pace of Contra operations increased along both the Northern and Southern Fronts as newly trained fighters were deployed. With the quickening pace of military action, the Agency struggled to keep up with Contra demands for additional materiel.

49. In September 1983, the Agency was given greater latitude in its relationship with the Contra forces by a new Presidential Finding that changed the objective of Contra support from interdicting arms trafficking to bringing the Sandinistas into peace negotiations. Congress, however, capped CIA spending on the Contra effort in December 1983 at $24 million. After CIA mining of Nicaraguan seaports became public knowledge, Congress denied a supplemental request by CIA for $21 million.

50. By August 1984, the funding allotted for CIA support to the Contras had been expended. Additional legislation was enacted in October 1984 that precluded the Agency from providing paramilitary assistance to the Contra forces over the next two years. During this period, the combat effectiveness of the Contra forces declined.

51. In the absence of U.S. support, Contra organizations successfully appealed to other governments and private sources for funds to continue their war effort. Under National Security Council (NSC) official Oliver North's direction, a network of companies and facilities was established in an effort to supply the Contras. The level of support, however, did not meet the overall needs of the Contras, and the Reagan Administration sought from Congress a resumption of direct aid to be managed by CIA.

52. In October 1986, after considerable debate in Congress, the Agency was authorized to provide paramilitary support to the resistance forces and $100 million was allocated to this purpose for

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Fiscal Year 1987, beginning in October 1986. The legislation that authorized this assistance contained a provision that barred aid to any group whose members were found to have engaged in "gross violations of internationally recognized human rights . . . or drug smuggling, or significant misuse of public or private funds." By January 1987, CIA was providing large quantities of supplies and new weaponry. Extensive training was also provided to Contra fighters. The peak of military activity for the Contras came in 1987 when 10,000 to 12,000 personnel were infiltrated into Nicaragua to conduct guerrilla operations.

53. In November 1986, U.S. Attorney General Edwin Meese announced that proceeds from the sale of arms to Iran had been "diverted" to the Contras at a time when U.S. military aid to the Contras was prohibited. Congressional support for the Contras waned dramatically as a result of investigations into the Iran-Contra affair in 1987. No additional funding for paramilitary support was appropriated by Congress after the expiration of the $100 million program in 1987. By December 1988, only humanitarian aid was being provided by the United States to Contra forces, although the Agency was still permitted to share intelligence with the Contras. As the Agency withdrew, the U.S. Agency for International Development took over responsibility for administration of the humanitarian aid program. Lacking continued access to military supplies, Contra forces began returning to their base camps outside Nicaragua, effectively ending offensive military operations.

54. Building on a March 1988 cease fire agreement, the incoming Bush Administration sought to complete a negotiated settlement to end the fighting. Both the Contras and Sandinistas, exhausted by the war, supported a series of agreements in February 1989 and August 1989 that defined the framework to end the conflict.

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Chronology of Key Developments Related to the Contra War

1979

	Broad Opposition Front formed. Backed by Cuba, Venezuela, Costa Rica.
February	**U.S. Government suspends all new economic and military aid to Nicaragua.**
July	**Somoza flees. Provisional Government of National Reconstruction (GRN) formed. Sandinistas turn government leftward.**

1980

September	**Sandinistas suspend elections, take control of media.**

1981

March	**DCI Casey establishes Central America Task Force.**
August	**Opposition groups form on northern and southern borders of Nicaragua.**
December	**Presidential Finding authorizes CIA to support and conduct political and paramilitary operations in Nicaragua, elsewhere in Central America.**
	Congress votes $19 million Contra military assistance.

1982

September	**Contra combat action begins.**
December	**Boland Amendment, enacted as part of the Defense Appropriations Act of 1983, prohibits CIA and Department of Defense (DoD) from spending money to support activities designed to overthrow the Sandinista Government.**

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1983

July	**Boland-Zablocki legislation bars aid to Contras, but allows arms interdiction.**
September	**Presidential Finding authorized CIA to support, equip, train paramilitary resistance groups.**
December	**Defense Appropriations Act includes $24 million Contra assistance program, but sets cut off for September 30, 1984.**

1984

February	**Mining of Nicaraguan harbors begins.**
April	**Mining operations become public knowledge.**
May	**La Penca Bombing. Pastora injured, several killed prior to press conference where Pastora planned to denounce CIA pressure for him to align with the FDN.**
September	**Authorized appropriations for DoD and CIA support to the Contra program end. Prohibition in effect until December 1985.**
Late 1984	**NSC fund-raising efforts channel cash, goods to Contras until May 1986.**

1985

April	**President Reagan declares economic embargo on Nicaragua.**
June	**Pastora's military forces driven out of Nicaragua Contra coalition, United Nicaraguan Opposition (UNO) formed.**
August	**Humanitarian assistance bill leads to creation of Nicaraguan Humanitarian Assistance Office (NHAO) at Department of State.**
December	**Intelligence Authorization Act authorizes CIA to provide communications equipment, intelligence to the Contras.**

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1986

January	**Presidential Finding discontinues lethal assistance to Contras.**
April	**Senate Subcommittee on Terrorism, Narcotics and International Operations (Kerry Committee) opens an investigation into alleged illegal gun running and narcotics trafficking associated with the Contra War.**
June	***Miami Herald* reports NSC violation of Boland restrictions.**
October	**Legislation provides $100 million in FY87 for renewed military and nonmilitary assistance to the Contras; contains provision barring aid to any group whose members are found to have engaged in drug trafficking; clears way for restoration of CIA involvement in Contra War.**
	C-123 cargo plane shot down over Nicaragua. Eugene Hasenfus captured.
December	**Independent Counsel (Walsh) named to investigate Iran-Contra affair.**

1987

May	**Nicaraguan Resistance (RN) unites Contra groups.**
	Start of joint Congressional hearings on Iran-Contra.
November	**Sandinistas announce readiness for indirect talks with Contras.**
	Joint Congressional investigation report released on Iran-Contra.
December	**$100 million appropriated funds expended, CIA support reduced to intelligence sharing.**

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1988

January	**Sandinista President Daniel Ortega agrees to direct talks with Contras.**
February	**House of Representatives rejects Contra funding request.**
March	**Tentative cease-fire signed.**
December	**Senate Subcommittee on Terrorism, Narcotics and International Operations (Kerry Committee) report published.**

1989

February	**Tesoro Beach Agreement calls for supervised elections and Contra disarmament.**
August	**Tela agreement sets timetable for Contra disarmament, elections.**

1990

February	**Sandinistas defeated in national election.**
April	**Violetta Chamorro assumes office; Contras begin demobilization.**

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Cocaine Flows through Central America in the 1980s

55. **Movement of Cocaine through Central America.** Throughout the 1980s and thus far in the 1990s, South American traffickers have used the Central American isthmus as an important secondary route for cocaine and marijuana transshipment operations, for importing drug refining chemicals and for laundering large sums of narcotics revenues. Traditional maritime drug smuggling routes throughout the Caribbean (the Yucatan, Windward and Mona Passages) continued to be important trafficking routes to the United States throughout the period. The Central American countries became more important staging areas and transshipment points for South American narcotics during the 1980s as Mexican traffickers began to handle a larger share of cocaine trafficking.

56. Central America and some Caribbean islands offer favorable locations for drug trafficking. Their geographic proximity to major narcotics producing countries in South America and to the United States make this area a natural route for transporting illicit drugs northward. The thousands of remote islands, unpatrolled waterways, extensive coastlines, clandestine airstrips, and generally unguarded borders all facilitate drug trafficking. By the early 1980s almost all countries in the area were serving as transshipment, staging, or refueling points for boats and planes that carried cocaine to the United States. By refueling their aircraft and boats in Central America and the Caribbean, the traffickers greatly enhanced their chances of entering the United States undetected. They could bypass such choke points as the Yucatan Channel and Windward and Mona Passages and avoid Florida, where interdiction efforts were beginning to be concentrated. During the late 1970s and early 1980s, cocaine transiting Central America went to such diverse areas as Louisiana, Texas, Colorado, Georgia, West Virginia, and New York.

57. In the 1980s, large cocaine trafficking organizations frequently controlled fleets of small aircraft--many with sophisticated communications gear and reconfigured with extra fuel tanks--that were used to carry drugs, people and money between Latin America

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and the United States. These operations were supported by a network of airfields, some of which were fairly large with concrete runways, others of which were small dirt strips. The organizations also had sizable numbers of trucks, small and large boats, helicopters, and other forms of transport needed to move the drugs from remote growing areas to clandestine processing sites and eventually to the U.S. market. By the end of the decade, major trafficking organizations were showing a greater preference for shipping larger loads via maritime routes and commercial conveyances and containers as well as utilization of various free trade zones.

58. There are no authoritative estimates of the quantities of cocaine moved through Central America in the 1980s. However, the major routes were known to U.S. authorities and air and maritime transport were thought to be the primary trafficking modes. By 1996, however, it was estimated that the commercial and noncommercial maritime smugglers were shipping three times more cocaine than was being moved by air.

59. While comprehensive cocaine movement figures are not available for the mid-1980s, a reasonable conclusion is that they would be roughly similar in relative magnitude to what was measured in the late 1990s. Noncommercial vessels--usually "go-fast" boats--most likely provide the primary means by which traffickers currently move cocaine into the Central America-Caribbean transit zone. Roughly 60 percent of the total amount of cocaine that is annually destined for the United States traverses the Eastern Pacific and the Western Caribbean up the Central America-Mexico corridor including about 10 percent that moves directly through Central America. Another 10 percent passes through the Caribbean directly to the United States. The remaining 30 percent enters the Caribbean and is then transshipped to the United States.

60. **Production and Export of Cocaine from South America.** Within South America, cocaine is moved over a number of major routes. From the Peruvian growing areas, most cocaine base is moved by air, rivers and roads to Peru-Bolivia-Brazil border areas and is then flown to Colombia for processing into finished powder

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cocaine. Cocaine base from Bolivian growing areas is increasingly being processed into finished powder within Bolivia. Some Peruvian cocaine base is also moved by land to the Pan American Highway and transported from Peru through Ecuador to Colombia.

61. Cocaine is a stimulant drug produced from the leaf of the coca bush, which grows almost exclusively in South America. Approximately 85 percent of the world's coca supply is grown in Peru and Bolivia, while the remaining 15 percent is grown in such areas as the rain forests of Colombia. Since the late 1960s, Colombia has dominated the processing and trafficking of cocaine manufactured from coca grown in Bolivia and Peru. However, until the late 1980s, Colombia produced relatively little coca.

62. Extraction of cocaine is a process that usually requires three separate steps. After the coca leaf is harvested, it is first processed into coca paste and then turned into cocaine base. Coca paste and cocaine base are produced, in most cases, to ease transport by reducing the size of the product. In recent years, the paste manufacture stage is being bypassed, with coca being processed directly into cocaine base. Cocaine base is then processed into finished powder cocaine.

63. Crack cocaine that is consumed in the United States is generally made from cocaine that has been imported into the United States. Crack cocaine is a form of smokeable, or "freebase," cocaine that was developed in the mid-1970s. Crack appeared in the early 1980s as an alternative to chewing, drinking, injecting, or inhaling the drug. In smokeable form, the drug is delivered to the brain more quickly and has a more intense effect. Crack is made by dissolving the drug in water, adding a material such as baking soda, and heating the mixture until "rocks" of crack are formed. This is a very simple process that can be performed near the final point of sale. Since crack is sold in smaller units than cocaine that is inhaled, the cost per dose is lower to the user. The dealer pays the same amount to a wholesaler for cocaine, alters it into the crack form, and makes up to four times higher profit than from the powdered form of the drug.

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Results of Previous Investigations into Alleged Contra Drug Trafficking

64. With the intersection of political, economic, geographic, and military factors in Central America affecting the Contra movement, allegations of arms smuggling, profiteering, corruption, drug trafficking, etc., developed early and were propagated during the period under review. Several previous investigations have explored allegations that the Contra effort was funded with the proceeds of drug trafficking. The relevant findings of these and other relevant investigations are summarized below.

65. **Iran-Contra Investigations.** Between August 1985 and October 1986, the U.S. Government facilitated the sale of missiles and spare parts to the Government of Iran. In November 1986, the existence of these sales became publicly known. Moreover, there appeared to be a link between these sales and efforts to obtain the release of American hostages held in Lebanon by terrorists. On November 21, 1986, President Reagan instructed Attorney General Meese to conduct an inquiry for the purpose of compiling a "complete factual record" with respect to the Iran arms sale.

66. On November 25, 1986, the Attorney General publicly announced that his inquiry had produced evidence that some of the funds obtained from the Iran arms sales had been diverted to the Contras to support their war against the Sandinista Government of Nicaragua. This had occurred at a time when restrictions on U.S. Government assistance to the Contras had been imposed by Congress under legislation commonly referred to as the Boland Amendments.

67. As a result of these revelations, several official investigations were initiated. These included inquiries by the President's Special Review Board (the "Tower Commission"),* the Senate Select Committee on Intelligence, the House Select Committee

* The Tower Commission was charged with determining the role of the National Security Council (NSC) Staff in the Iran-Contra arms sales and diversion of profits to the Contras.

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to Investigate Covert Arms Transactions with Iran, the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition , and an Independent Counsel appointed pursuant to the Ethics in Government Act--the Independent Counsel for Iran/Contra Matters, Lawrence Walsh. In addition to these inquiries, CIA's Inspector General conducted a series of investigations focusing on the role of the Agency and the Agency's employees in the sale of arms to Iran and the provision of assistance to the Contras. On September 1, 1987, DCI William Webster appointed a Special Counsel to review the results of these inquiries and make recommendations for administrative action.

68. **CIA Investigations.** The CIA OIG conducted four examinations of Iran-Contra activities, but none included the issue of drug trafficking allegations involving the Contras. A July 1987 review focused on Agency compliance with congressional restrictions regarding support to the Contras from 1984-87. A second investigation reviewed the Agency's role in the sale of missiles to Iran and the diversion of profits from those sales to the Contras. A third review was a "Special Investigation into Certain Activities of the Chief of Station San Jose." In addition to these CIA/IG reviews, DCI Webster's Special Counsel issued a "Report of the Special Counsel to the Director of Central Intelligence Concerning the CIA's Role in the Iran-Contra Matter" on December 15, 1987.

69. **Report of the Joint Congressional Committees Investigating the Iran-Contra Affair.** A November 1987 "Report of the Congressional Committees Investigating the Iran-Contra Affair" was issued jointly by the House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. In the course of this investigation, the Committees obtained and reviewed a large volume of documents from CIA and other sources and conducted interviews with CIA personnel. An appendix to this report contained a July 23, 1987 memorandum, titled "Allegations Re: Contra Involvement with Drug Smuggling" that was written by an investigator for the House Committee. It discussed allegations of Contra involvement in drug smuggling and stated:

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> Our investigation has not developed any corroboration of media-exploited allegations that U.S. government-condoned drug trafficking by Contra leaders or Contra organizations or that Contra leaders or organizations did in fact take part in such activity.

70. The July 1987 memorandum noted that, during the investigation,

> . . . hundreds of individuals, including U.S. Government employees, Contra leaders, representative of officials of foreign governments, U.S. and foreign law enforcement officials, military personnel, private pilots and crews involved in actual operations were questioned and their files and records examined.

Nonetheless, the appendix reported:

> There was no information developed indicating any U.S. government agency or organization condoned drug trafficking by the Contras or anyone else.

71. The Joint Congressional Committee report also contained another appendix titled, "Organization and Conduct of the Committees' Investigation." Among other things, this appendix discussed the investigation of the Contra's sources of funds and stated:

> Contra leaders have been interviewed and their bank records examined. . . . Examination of Contra financial records, private enterprise business records and income tax returns of several individuals failed to locate any indication of drug trafficking.

An investigator involved in this examination, a retired FBI Special Agent, reiterates this point and says that "the [Certified Public Accountants] who were charged with auditing the Contra bank accounts found no evidence of influxes of cash attributed to drugs." He says that bank accounts examined included Contra organizations bank accounts in the Bank of Commerce and Credit International and personal bank accounts. According to the investigator, the sources of

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all the money in these accounts were accounted for and much came from third country contributors.

72. The Joint Congressional Committee report also explained in detail the procedures used to track the Contra funds in another appendix.

> Following the "money trail"--the sources, movements, and locations of funds involved in the investigation--necessitated the establishment of separate specialized data bases. Two closely related files were created. The first identified all relevant bank accounts; the second contained the detailed transactions. Data were first entered into the bank account file to be used to verify transactions. Each account was verified to flow from a known account to another known account. After the bank account file was prepared, specific transactions were entered into the second file. All monetary amounts were typed twice; the program monitored the entry to ensure that the two entries were identical. The accounting firm of Price Waterhouse provided professional accounting services to the House Committee, and the General Accounting Office provided similar services to the Senate Committee.

73. **Report of the Senate Subcommittee on Terrorism, Narcotics and International Operations.** The principal investigation that focused on allegations that drug money was being used to fund Contra operations was conducted by the Senate Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations. In April 1986, the Subcommittee opened an investigation into allegations of illegal gunrunning and narcotics trafficking associated with the Contra war. As the investigation proceeded, according to the Subcommittee's report, information began to develop concerning the operations of international narcotics traffickers, particularly the Colombian cocaine cartels. As a result, the Contra-related allegations became part of a broader investigation into the relationship between U.S. foreign policy, narcotics trafficking and law enforcement.

74. The Subcommittee's report, "Drugs, Law Enforcement and Foreign Policy," published in December 1988, concluded that the

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drug traffickers used the Contra war and their ties to the Contras as a cover for their criminal enterprises in Honduras and Costa Rica. While the assistance provided by the drug traffickers was "a matter of survival [for the Contras], for the traffickers it was just another business deal to promote and protect their own operations."

75. The Subcommittee report included findings indicating:

- Individuals who provided support for the Contras were involved in drug trafficking, the supply network of the Contras was used by drug trafficking organizations, and elements of the Contras knowingly received financial and material assistance from drug traffickers. In each case, one or another U.S. Government agency had information regarding these matters either while they were occurring, or immediately thereafter;

- Involvement in narcotics trafficking by individuals associated with the Contra movement;

- Participation of narcotics traffickers in Contra supply operations through business relationships with Contra organizations;

- Provision of voluntary assistance to the Contras by narcotics traffickers, including cash, weapons, planes, pilots, air supply services, and other materials; and

- Payments to drug traffickers by the U.S. Department of State of funds authorized by the Congress for humanitarian assistance to the Contras, in some cases after the traffickers had been indicted by federal law enforcement agencies on drug charges, in others while the traffickers were under investigation by those agencies.

76. The Subcommittee did not find evidence that the Contra leadership "participated directly in narcotics smuggling in support of

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their war, although the largest Contra organization, the FDN, did move Contra funds through a narcotics trafficking enterprise and money laundering operation." The Subcommittee concluded that there was substantial evidence of drug smuggling on the part of individual Contras, pilots who flew supplies, mercenaries who worked for the Contras, and Contra supporters throughout the region.

77. The Subcommittee also found that U.S. intelligence reporting regarding narcotics issues had been "marginal and woefully inadequate." The Subcommittee noted that:

> . . . despite widespread trafficking through the war zones of northern Costa Rica, [the Subcommittee was] unable to find a single case which was made on the basis of a tip or report by an official of a U.S. intelligence agency. This despite an executive order requiring intelligence agencies to report trafficking to law enforcement officials and despite direct testimony that trafficking on the Southern Front was reported to CIA officials.

78. Further, the Subcommittee concluded that U.S. officials involved in assisting the Contras "knew that drug smugglers were exploiting the clandestine infrastructure established to support the war and that Contras were receiving assistance derived from drug trafficking," yet did not report these individuals to the appropriate law enforcement agencies. Instead, the Subcommittee found that "some [of these] officials may have turned a blind eye to these activities." Moreover, the Subcommittee believed there were "serious questions as to whether or not U.S. officials involved in Central America failed to address the drug issue for fear of jeopardizing the war effort against Nicaragua."

79. The Subcommittee made only one legislative recommendation in its report that directly pertained to the Intelligence Community: "No U.S. intelligence agency should be permitted to make any payments to any person convicted of narcotics related offenses, except as authorized in writing by the Attorney General in connection with the investigation or prosecution of criminal activity." The Subcommittee also concluded in a section on

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"National Security Issues" that better cooperation between law enforcement and intelligence agencies should be established so that "a useful intelligence product can assist law enforcement efforts in the war on drugs," and that individuals who misrepresent themselves as working for CIA or other national security agencies should be promptly prosecuted to the full extent of the law. The Subcommittee also found that some individuals involved in "supporting narcotics trafficking did so because they were told that their actions were either on behalf of, or sanctioned by, the U.S. Government."

80. **Final Report of the Independent Counsel for Iran/Contra Matters.** "The Final Report of the Independent Counsel for Iran/Contra Matters" was issued on August 4, 1993. It did not state any conclusions regarding the Contras and drug trafficking, but did indicate that the sources of Contra funds had been closely examined. Among other things, the investigation had:

> . . . obtained the Swiss financial records of the Enterprise,* bank documents from other foreign countries, extensive domestic financial records, and also the immunized testimony of Enterprise and [National Endowment for the Preservation of Liberty] officers and employees. Willard I. Zucker, the Enterprise's Swiss financial manager, was given immunity to illuminate the financial structure of the Iran and Contra operations.

81. One of the lawyers who was appointed to the OIC says that narcotics trafficking allegations comprised "only about one percent" of his and other investigators' interest. The issue of drug trafficking, he states, was reviewed because the OIC hoped it might find issues to use as "leverage" against targets of the investigation. For the most part, he says, any drug trafficking activity would have been "stumbled on" in the course of the investigation of other issues, especially money laundering. This former OIC staff member recalls that no funds with unexplained sources were found in the OIC

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* According to the Office of Independent Counsel (OIC) Final Report, the "Enterprise" was a term Richard Secord coined in interviews with OIC and congressional investigators during 1987 to describe the covert operation he and others undertook. The phrase was not used by the participants while the operation was ongoing.

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investigation. However, he adds that the focus of the OIC's investigation was the expenditure, rather than the source, of funds.

82. **Walsh Memoirs.** Independent Counsel Walsh published his memoirs of the Iran-Contra investigation--*Firewall: The Iran-Contra Conspiracy and Cover-up*--in 1997. The book focuses on how Walsh and his staff developed prosecutions for conspiracy to defraud the U.S. Government, spending U.S. Government funds without proper appropriations, theft of U.S. Government property, mail fraud, obstruction of justice, and obstruction of congressional investigations through giving or preparing false testimony or destroying records. The book makes no reference to allegations of drug trafficking, the 1987 Report of the Joint Congressional Committee or the December 1988 final report of the Senate Subcommittee on Terrorism, Narcotics, and International Operations.

83. **Los Angeles County Sheriff's Department Investigation.** On October 3, 1996, Los Angeles County Sheriff Sherman Block ordered an inquiry into the allegations in the *San Jose Mercury News* articles. The inquiry was meant to determine in part what the Los Angeles County Sheriff's Department (LASD) knew about:

> . . . alleged CIA/Contra (FDN) involvement in cocaine sales in the south central area of Los Angeles . . . . and whether or not any such knowledge or belief caused members of the Sheriff's Department to ignore or not properly investigate drug cases.

Much of the LASD investigation centered on allegations made in a postscript article to the newspaper's "Dark Alliance" series. This article, titled, "Affidavit: Cops Knew of Drug Ring," was based in large part on information from a 1986 affidavit of a former Los Angeles County Sheriff's narcotics detective and a defense lawyer's motion in a 1990 corruption case against a number of former Sheriff's Department members.

84. The December 1996 LASD summary of the 3,600-page report that resulted from the investigation states that Ronald Lister and Danilo Blandon were Contra sympathizers, but that:

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> . . . information obtained during this inquiry does not support the assertion the FDN obtained money and arms through the sales of cocaine. It does appear some supporters of the "Southern Front" of the Contra army (ARDE) were possibly involved in the sales of cocaine.

85. According to the LASD summary, the 1990 motion filed by a defense lawyer on behalf of LASD deputies who had been accused of corruption contained allegations of improper procedures during and after the 1986 execution of search warrants in the LASD's investigation of drug trafficking by Blandon. These included allegations regarding improper confiscation of evidence by agents of the federal government. Some LASD officers who had been involved in the 1986 searches indicated that they believed Lister had mentioned a CIA affiliation or that he had phoned a CIA contact, Mr. Weekly, during the search of his residence.

86. The 1996 LASD summary of its investigation concluded that, after the warrant was served on Lister, the FBI attempted to confirm the alleged CIA relationships of Lister and several other individuals. The LASD summary indicated that CIA had responded in a teletype to the FBI with background information regarding Norwin Meneses and Orlando Murillo, but indicated that CIA had no information regarding any of the other individuals.

87. The LASD summary of its investigation also addressed the allegations of confiscation of evidence by federal agents:

> . . . a full review of all the reports, evidence entries, and evidence disposition forms was conducted and [it was] determined that for each item seized in the searches there is a consistent "paper trail."

The LASD summary also stated, " . . . all evidence was seized, documented, and disposed of per Department policy. No property was taken by any 'federal agents.'" The LASD summary concluded that "investigators have determined this allegation was apparently spread through secondhand rumor and innuendo among some members of the narcotics team personnel."

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88. **Los Angeles Police Department Inspector General Report.** An October 24, 1996 letter to the Los Angeles City Council updated the status of an inquiry into the *San Jose Mercury News* allegations by Los Angeles Police Department (LAPD) Inspector General Katherine Mader. According to the letter, the LAPD IG inquiry had not substantiated any allegations that the LAPD was aware of any CIA involvement in narcotics trafficking.

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QUESTIONS PRESENTED

89. Volume I of this Report addresses the following questions relating directly to the allegations contained in the *San Jose Mercury News* series and in claims that CIA interfered with law enforcement investigations into narcotics trafficking in California:

- Was CIA involved in the California-based drug trafficking of Ricky Donnell Ross, Danilo Blandon or Juan Norwin Meneses Cantarero?
  - Did CIA have any relationship or dealings with Ross, Blandon or Meneses?
  - Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?
  - Did CIA intervene or otherwise play a role in any investigative or judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?
- Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Was their drug trafficking linked to the Contras?
  - Were those arrested connected with CIA?
  - Were those arrested connected with the Contras?
  - Was CIA involved in the investigation of The Frogman Case?
  - To what extent, and why, did CIA become involved in the prosecution of The Frogman Case? What was the effect of CIA involvement in the prosecution?

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- To what extent did CIA respond to Congressional inquiries regarding The Frogman Case?

90. Volume II of this Report will review broader issues of Agency knowledge and handling of drug trafficking allegations regarding Contra personnel and organizations and others involved in supporting the Contras on behalf of CIA.

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FINDINGS

Volume I: The California Story

WAS CIA INVOLVED IN THE CALIFORNIA-BASED DRUG TRAFFICKING OF RICKY DONNELL ROSS, DANILO BLANDON OR JUAN NORWIN MENESES CANTARERO?

DID CIA HAVE ANY RELATIONSHIP OR DEALINGS WITH ROSS, BLANDON OR MENESES?

91. **1996 Agency Declaration in U.S. District Court.** On September 18, 1996, the U.S. Attorney for the Southern District of California requested that the Agency determine whether CIA had any relationship with Ricky Donnell Ross, Oscar Danilo Blandon Reyes, Juan Norwin Meneses Cantarero, Ronald Jay Lister, or David Scott Weekly. All five of these individuals were mentioned in the August 1996 *San Jose Mercury News* articles that implied CIA was connected to the drug trafficking activities of Ross, Blandon and Meneses.

92. In response to this request, the Records Validation Officer (RVO) for the Agency's Directorate of Operations (DO)* submitted a Declaration to the U.S. District Court on November 4, 1996 in the matter of *U.S. v Ricky Ross* (case # 95-0353-H). The RVO's Declaration detailed the steps that had been taken by the Agency to review all records in the possession of the DO and the CIA's Directorate of Administration, the two directorates that maintain records concerning all individuals with a past or present staff, contract, or operational relationship with CIA. The RVO Declaration certified to the Court that this review had located no information indicating that

* The DO's Information Review Officer (DO/IRO) is responsible for the review of records maintained by the DO that may be responsive to Freedom of Information Act (FOIA) or Privacy Act requests, or to requests from DoJ in connection with criminal or civil litigation. The DO/IRO was also designated as the Agency's Records Validation Officer for purposes of this case. In that capacity, the IRO was authorized by CIA's Executive Director to sign Declarations to U.S. District Courts on behalf of CIA.

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the Agency had any past or present relationship--whether operational, contractual, or employment--with the five named individuals.

93. The RVO's Declaration further certified that CIA records included no information of any kind concerning Ross. With respect to Blandon, Meneses, Lister, and Weekly, the Declaration explained that there was relevant information in CIA files, but no information in CIA records indicated there was any Agency relationship with these individuals.

94. Concerning Meneses, the RVO certified that CIA had responded to requests by the FBI in 1986 and 1988 regarding any CIA knowledge of or interest in Meneses. Both of these responses indicated, according to the Declaration, that CIA had no relationship with Meneses and described information in CIA files that had been provided by CIA sources who reported that Meneses was a drug trafficker. The RVO Declaration also stated that reviews of these issues by CIA components in the late 1980s had revealed "no evidence that anti-Sandinista groups which received support from the U.S. Government engaged in drug-trafficking."

95. **CIA Records.** This investigation confirmed the accuracy of statements contained in the RVO's Declaration that was provided to the U.S. Attorney for the Southern District of California. As noted earlier, the U.S. Attorney for the Southern District of California requested that the Agency determine whether the CIA had any relationship with Ross, Blandon, Juan Norwin Meneses Cantarero, Lister and Weekly. In response, a search was conducted of Agency records for any information that would indicate any such relationship. Though Meneses' name was misspelled as "Menesis" in the Declaration, the records search by variant spellings as described by the RVO ensured that any relevant information would be identified. The Declaration was not required nor intended to present or describe all information in Agency files relating in any way to the activities of any of the individuals in question. Additional information, particularly regarding Meneses, was included in CIA files, and is described in detail below. However, no Agency record

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cited in the Declaration, and none of the other Agency documents that have been reviewed in the course of this investigation, indicate that the CIA had any operational, contractual, or employment relationship with Ross, Blandon, Meneses, Lister, or Weekly.

96. ***CIA Records: Ross.*** No information concerning Ricky Donnell Ross has been found in CIA records, except that received after September 18, 1996 relating to the criminal prosecution of him in the U.S. District Court for the Southern District of California. No information has been found to indicate that there has ever been any CIA relationship with Ross.

97. ***CIA Records: Blandon, Meneses and Lister.*** Blandon's name, along with those of Norwin Meneses and Ronald Lister, appeared in an October 30, 1986 cable from a Station of the DO's Foreign Resources Division to CIA Headquarters. The cable notified Headquarters that Blandon, Meneses and Lister had been arrested for narcotics trafficking and were claiming that they were in some way connected to CIA. The cable read:

> Three individuals claiming [CIA] affiliation have been arrested by Los Angeles county sheriff's department on narcotics related charges. Details as received via [FBI] are sketchy. However, request preliminary traces to determine if any of the three listed below have [CIA] connections . . . . Please respond immediate indicating what portions of response may be passed to local law enforcement authorities.

The cable contained an error in that Meneses and Lister were not arrested along with Blandon and his wife, but had only been implicated in the investigation.

98. On October 31, 1986, Headquarters responded to the cable:

> There are no [Headquarters] traces on Ronald ((Lister)) or Danilo ((Blandon)). [An LA Division Station reported on] 05 Dec 84 that a Norwin Meneses was apparently well known as the Nicaraguan Maifa [*sic*], dealing in drugs, weapons and smuggling and laundering of counterfeit money (U.S. and [Nicaraguan] colones) [*sic*]. Subject was residing in Miami as a result of unspecified drug

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related charges by the Costa Rican government. A 25 Mar 85 message from [another LA Division Station] described a Norwing [*sic*] ((Meneses)) Cantarero as the kingpin of narcotics traffickers in Nicaragua prior to the fall of Somoza.

99. On December 11, 1986, FBI Headquarters sent a cable to CIA and the Defense Intelligence Agency (DIA) for information concerning Blandon, Meneses and Lister, as well as Aparicio Moreno, Orlando Murillo and Richard (last name unknown), also known as (a.k.a.) "Oklahoma Dick." The FBI cable stated:

> . . . the captioned matter is an Organized Crime Drug Enforcement (OCDE) task force investigation focused on a cocaine distribution operation principally comprised of Nicaraguan nationals. Significant quantities of cocaine are reportedly distributed throughout the west coast. Information provided to FBI Los Angeles indicates that subject Ronald Jay Lister has made statements concerning his "CIA contact," identified by Lister as "Mr. Weekly." Investigation has also identified documents indicating that Lister has been in contact with "Scott Weekly" of the "DIA.". . . . Receiving agencies [CIA and DIA] are requested to advise the FBI, attention: Organized Crime Section, Criminal Investigation Division, whether or not any of the captioned subjects are currently of operational interest to your agency.

100. CIA responded on December 17, 1986:

> In response to [the December 11 FBI request], this Agency is forwarding the following for your information: In 1984 one Norwin ((Meneses)) was involved in drug activities in Costa Rica. He is apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money. In December 1984 Meneses was residing in Miami as a result of unspecified drug related charges by the Costa Rican Government. Prior to the fall of former Nicaraguan President Anastasio Somoza, one Norwing [*sic*] ((Meneses)) Cantarero was called the kingpin of narcotics traffickers in Nicaragua . . . . In 1983 Orlando Murillo, Nicaraguan exile, was described as a former official with the Swiss bank in Managua. We have no traces on other names [Blandon, Lister, Moreno, Richard (LNU), Weekly] referred to in [the FBI request].

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101. CIA records include additional cables regarding Meneses between 1983 and 1995. On April 1, 1983, a DO Latin America (DO/LA) Division Station reported information provided by a Nicaraguan expatriate who had made an abortive attempt to contact members of the Nicaraguan resistance. The Nicaraguan reportedly stated that, around October 1982, he was:

> . . . hoping to contact a friend named Norbin [*sic*] ((Meneses)) in Miami, who would direct him to counter-revolutionary training camps in South Florida and eventually to join Miskito combat units in Honduras. Meneses . . . was not contacted and was found to be living in California.

102. On December 5, 1984, a Latin America (LA) Division Station informed Headquarters of allegations that Meneses and another trafficker, Tuto Munkel, were involved in drug trafficking with Sebastian Gonzalez Mendieta in Costa Rica. Meneses was reported to be living in Miami as a result of unspecified drug charges by the Costa Rican Government, and it was reported that Meneses owned a restaurant in which Gonzalez might have had a financial interest. According to the Station, Meneses, Gonzalez and Munkel were well-known as the "Nicaraguan Mafia, dealing in drugs, weapons smuggling and laundering of counterfeit money."

103. The LA Division Station provided Headquarters with additional information on December 27, 1984. According to the Station, one and a half kilograms of cocaine, packed in rattan clothes hampers, were being forwarded weekly to Meneses in Miami. The Station requested that another LA Division Station conduct a records search concerning Meneses.

104. On March 25, 1985, Meneses was again referred to in CIA reporting when an LA Division Station reported information concerning a Sandinista-run business known as H&M Corporation. According to the report, H&M Corporation was a conglomerate of several FSLN-owned businesses that were engaged in a host of legal and illegal enterprises in an effort to obtain hard currency for the Sandinista Government. The report also stated that Federico Vaughn, a known narcotics trafficker and an official of

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H&M Corporation, was said to be "an associate of Nicaraguan narcotics trafficker Norwing [*sic*] ((Meneses)) Cantarero."

105. Meneses' name was next reflected in CIA reporting on June 11, 1986, when an LA Division Station informed Headquarters that a Contra leader, Fernando Chamorro, had allegedly been asked by Meneses in August or September 1984 to help "move drugs to the U.S." On June 27, 1986, a DO National Collection Division office reported that it had learned from a Nicaraguan expatriate who was in contact with another U.S. Government agency that he suspected "Meneses was involved in the transporting of drugs."

106. On September 3, 1987, CIA responded to a DoS request for a name trace in connection with a visa application by Meneses. The response included an information copy of the Agency's December 17, 1986 response to the FBI request for information concerning Meneses and advised DoS that:

> According to information dated March 1985 . . . one Norwing [*sic*] Meneses Cantarero, probably identical with subject, was the kingpin of narcotics traffickers in Nicaragua prior to the fall of Somoza. According to information dated December 1984 . . . one Norwin Meneses, probably identical with subject, was involved in drug activities in Costa Rica. He was apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money. In December 1984, Meneses was residing in Miami as a result of unspecified drug related charges by the Costa Rican Government. You are referred to the Federal Bureau of Investigation for possible information on subject.

107. On March 31, 1988, OGC Associate Deputy General Counsel Gary Chase responded in writing to an FBI request that sought to determine if there were any Agency relationships with Juan Norwyn (sic) Meneses-Cantarero, a.k.a. Norwin Meneses. Chase's letter to FBI/Assistant Director, Criminal Division, Floyd Clarke, stated that "an extensive search of the files and indices of the appropriate office located no information indicating that Mr. Meneses-Cantarero a.k.a. Norwin Meneses was ever employed by, or an informant for, the Central Intelligence Agency."

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108. CIA records do not mention Meneses again until January 18, 1991 when an LA Division Station reported to Headquarters that it had received information that four men were bringing narcotics from Central and South America to Miami, Chicago and Milwaukee. It was reported that one of the men, Juan Dewey Thomas-Altamiraro, a Nicaraguan cocaine trafficker, was an associate of Meneses. However, no details concerning the nature and extent of his association with Meneses were reported. In response to this report, another LA Division Station advised the first Station on January 23, 1991 of the "Nicaraguan Mafia" allegations concerning Meneses and the fact that "Meneses was known to be involved in the drug trafficking activities of Sebastian Gonzalez Mendieta."

109. Meneses was next mentioned in CIA cable traffic as a result of his November 1991 arrest in Managua following an attempt to ship 764 kilograms of cocaine from Cali, Colombia, to the United States. Subsequent to this arrest, Meneses was convicted in Nicaragua of cocaine trafficking and was sentenced to 25 years in prison. His sentence was later reduced to twelve and one-half years. An LA Division Station cabled the following information to Headquarters on November 4, 1991 concerning Meneses' arrest:

> . . . the Sandinista police made a major drug bust this weekend. They captured 764 kilos of cocaine and arrested five people. They also claimed that the drugs were being sent from the Cali cartel probably to the United States . . . . Those arrested were Norwin ((Meneses)) Cantarero, his brother Luis Enrique ((Meneses)) Canteraro [*sic*], Enrique ((Miranda)) Hyame [*sic*], an engineer Carmelo ((Lacayo)) Briceno who was in charge of concealing the drugs for movement, and Carlos Francisco ((Merlo)) Bermudez . . . .

110. Agency records also indicate that Meneses' arrest was reported in November 1991 through Department of Defense and Department of State channels. Those reports included reference to a trip to Colombia by Meneses and

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Miranda in September 1991 and to the group's loss of a Ford Escort "loaded with cocaine" in Houston in September 1991.

111. The November 1991 arrest of Meneses was also summarized in a January 30, 1992 "Narcotics Update For Latin America" that was published by the DO and sent to Stations and Bases in Latin America to provide background information. The Update article indicated that "ringleader Norwin Meneses is believed to be the top Cali Cartel trafficker in Nicaragua."

112. The last references to Meneses that appeared in CIA reporting occurred in December 1995 when three cables discussing "Possible Attempts to Link CIA to Narcotraffickers" were sent by the DO's LA Division to certain Stations. On December 4, 1995, Headquarters asked one of the Stations whether it possessed any information concerning Meneses:

> In November 1995, we were informed by DEA that a reporter has been inquiring about activities in Central America and any links with the Contras. . . . ((Meneses)) is currently in jail in Managua for trafficking 800 pounds of cocaine. DEA [has been alerted] that Meneses will undoubtedly claim that he was trafficking narcotics on behalf of [CIA] to generate money for the Contras. Query whether Station can clarify or amplify on the above information to better identify Meneses or confirm or refute any claims he may make. HQS traces on FNU ((Meneses)) reveal extensive entries. One possible hit is: Norwing [*sic*] ((Meneses)) Cantarero, who was a kingpin of narcotics trafficking in Nicaragua prior to the fall of Somoza . . . . one Norwin Meneses probably identical to above kingpin, was involved in drug activities in Costa Rica. He was apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money.

113. In response, the Station provided the following information to Headquarters on December 5, 1995:

> Based on our traces and HQS . . . information, we presume the individual to whom DEA referred to be Norwing [*sic*] ((Meneses)) Cantarero. We have no information, however, substantiating his claims to have been actively involved in the Contra movement, nor do we know whether [CIA] was ever in touch with him if he was.

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114. Headquarters responded to the Station with the following additional information on December 14, 1995:

> Please pursue inquiries on [where Meneses] resides or in incarcerated . . . . We are still very anxious to verify whether Meneses exists, and whether there was ever any [CIA] contact with him . . . . The only additional information we have on Norwin ((Meneses)) is that in late 1986 he was one of three individuals arrested by Los Angeles County Sheriff's Department on narcotics related charges. Meneses was described as an accomplice of Ronald ((Lister)), also arrested. Lister claimed that for many years he had assisted in supplying small arms and helicopters to [CIA] contacts in Latin and Central America. [Headquarters] traces give no indication that Juan Norwyn [*sic*] ((Meneses)) Cantarero a.k.a. Norwin Meneses was ever employed by, or an informant for [CIA].

115. No other information concerning Blandon, Meneses or Lister has been found in CIA records. Additionally, no information has been found in CIA records to indicate that there has ever been any relationship between CIA and Blandon, Meneses or Lister.

116. ***CIA Records: Weekly.*** No information has been found in CIA records to indicate that Weekly--who Lister said was his "CIA contact"--had any relationship with CIA. Additionally no information has been found in CIA records to indicate that Weekly claimed to have worked for CIA on behalf of the Contras. Media reporting also indicates that Weekly does not claim to have worked for CIA on behalf of the Contras. Although Lister alleged in the 1980s that Weekly was his "CIA contact," he did not make this allegation in his 1997 interview with CIA/OIG and DoJ/OIG.

117. No information has been found to indicate that Weekly had any connection to the drug trafficking activities of Ross, Blandon, Meneses, and Lister. CIA records, however, include information regarding Weekly's activities in connection with a private group concerned with Prisoner of War/Missing in Action issues in the 1980s. In addition, CIA records include a Bureau of Alcohol, Tobacco and Firearms (BATF) report that Weekly was arrested in 1986 for

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carrying explosives on a commercial airliner. The BATF report indicated that Weekly claimed he had done this for CIA. No information has been found to indicate any relationship between Weekly and CIA, or any information to support his 1986 claim that he carried explosives on a commercial airliner for CIA. No information has been found to indicate that CIA was ever asked to respond to Weekly's purported claims during his trial.

118. **Individual Statements.** Ross, Blandon, Meneses, Lister, and Miranda were each interviewed. Each was asked whether he had any prior dealings or relationship with CIA. Each denied any such dealings or relationships.

119. ***Individual Statements: Ross.*** Ross was interviewed at the Federal Bureau of Prisons, Metropolitan Correctional Center, San Diego, California, where he is serving a life sentence without parole for conspiracy and possession with intent to distribute cocaine. Ross states that he has dealt with no one, directly or indirectly, who claimed to be a CIA employee or representative. He also denies that he ever had any relationship with CIA or the Contras or that either organization had anything to do with his drug trafficking activities in Los Angeles or elsewhere.

120. Ross states that he believes CIA was somehow involved with Blandon and Meneses, but acknowledges that he has no information to support this contention other than his belief that Blandon received a relatively short prison term. Ross says that he never saw Blandon deal with anyone other than persons Ross already knew to be narcotics dealers. Ross adds that he never saw Blandon meeting or dealing with anyone whom Blandon claimed was a representative of CIA or the U.S. Government.

121. ***Individual Statements: Blandon.*** Blandon states that he has never had any relationship with anyone employed by or in any way connected to CIA. According to Blandon, he never previously met with anyone from CIA.

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122. ***Individual Statements: Meneses.*** Meneses was interviewed in Tipitapa Prison, Managua, Nicaragua. He denies that he ever had any contact or relationship with CIA, DoS, the U.S. military, or U.S. civilian assistance groups that provided assistance to the Contras. He also denies that he trafficked in cocaine or other narcotics on behalf of CIA or any Contra group.

123. ***Individual Statements: Miranda.*** Miranda was arrested in November 1991 along with Norwin Meneses in connection with the attempted transshipment of 764 kilograms of cocaine through Nicaragua to the United States. He was interviewed in Masaiya Prison, Grenada, Nicaragua.

124. Miranda claims that the Sandinistas believed that Norwin Meneses worked with CIA to arrange flights carrying arms. Miranda says that Meneses told him sometime in the late 1980s that he was working for the Contras and that he had the support of CIA. Miranda says Meneses also said he was receiving support from Oliver North and that he was passing on funds to support Contra groups. Miranda could provide no information to corroborate his claims, including those that Meneses had smuggled drugs for the Contras and had the sanction of CIA for those activities.

125. Miranda states that the Sandinistas were involved in trafficking to raise funds and that he was personally involved in this effort from 1981 until 1985. He says that he was asked by his superiors in the Sandinista military to contact Meneses in 1981 about the possibility of drug trafficking on behalf of the Sandinistas, but that Meneses declined to participate. Miranda states that Meneses told him that Colombian aircraft would transport cocaine to Costa Rica where it would be transferred to other planes that had brought weapons for the Contras from the United States. The aircraft returning to the United States would land near Ft. Worth, Texas from which the cocaine would be shipped by ground vehicles to California.

126. In commenting on Enrique Miranda Jaimie, Meneses explains that Miranda was a childhood friend who had worked in

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Meneses' construction business in 1991. Meneses believes that Miranda acted on behalf of the Sandinistas to implicate him in the narcotics trade, but denies ever being asked by Miranda to traffic in drugs to support the Sandinistas.

127. ***Individual Statements: Lister.*** Lister is a former member of the Laguna Beach, California Police Department and a convicted felon. Lister was also a member of the Los Angeles County Sheriff's Department as well as the Maywood, California Police Department. Lister says that, after leaving law enforcement in 1980, he started Pyramid International, a private physical security company. Lister also states that he formed Mundy Security Group, another private security firm.

128. In 1981, Lister says he met both Blandon and Meneses and began selling cocaine for Blandon shortly thereafter. Lister denies he was ever an employee of CIA or that he was ever approached by any employee of CIA with any request to assist Blandon or the Contras in any legal or illegal activity.

129. Lister states that he met Blandon through a Beverly Hills business connection in late 1981 and Blandon, in turn, introduced Lister to Meneses. Lister provided physical security for both men and reports that both always paid him in cash. Lister recalls that one of Lister's employees, Bill Downing, told Lister shortly after Lister met Blandon that Blandon and Meneses were cocaine dealers. Lister states that Downing was the first to broach the idea of selling cocaine for Blandon. Lister approached Blandon and "began doing business with him right away." Lister states he would get cocaine from Blandon and give it to Downing who would sell the product to his friends. Lister had the impression that Blandon wanted to keep Lister away from Meneses.

130. Lister was not aware of all of Blandon's sources for cocaine, but was aware Blandon often got cocaine from Colombian suppliers Roger Sandino and Aparicio Moreno. Lister states that he went with Blandon on trips to Colombia and was present when Blandon made deals with the Colombians. Lister recalls that the

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price of one kilogram of cocaine went from approximately $60,000 in 1982 to a low of approximately $20,000 in 1986 when Lister stopped distributing for Blandon.

131. Lister states that, prior to the *San Jose Mercury News* articles, he had never met Ross or heard Ross' name. He does recall a November 1985 drug deal in which Blandon instructed Lister to deliver 100 kilograms of cocaine to a "good black client" in South Central Los Angeles. Lister states that he and another of Blandon's associates drove one of Blandon's cars containing three boxes of cocaine to a restaurant in South Central Los Angeles and met with Blandon. Lister recalls the original source of the cocaine provided to the buyer by Blandon was a Colombian student at a local college. Lister states that Blandon met with the "black client" and exchanged the cocaine for $2.95 million. Lister then transported the money for Blandon as they left. Lister recalls he was paid $50,000 for this deal. Lister now assumes that the buyer was Ross because Blandon told him the "black client" was the "biggest dealer" he dealt with. However, Lister cannot provide any evidence to support his belief.

132. Lister recalls that Blandon and Meneses would occasionally speak about the Contras and their desire that the Contras win the war in Nicaragua. Blandon would say, "We do business [drug dealing], but we want to get the Commies out." Lister states that Blandon made statements about his desire to help the Contras, but "the money always went back into our pockets." Lister says he was not aware of any effort on Blandon's or Meneses' part to fund or supply the Contras. Lister characterized Blandon's statements concerning his desire to help the Contras as "beer talk" as opposed to any serious organized effort. Lister states that he would have been very surprised if any significant amount of Blandon's money went to the Contras because "we were drug dealers. We did it to make money for ourselves."

133. Lister does recall that Blandon asked him for help in the 1982-1983 time frame to buy weapons, some of which Blandon claimed were going to "my friends down South." Lister states that Blandon did not specify whether this referred to the Contras or his

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Southern California drug customers. Lister states that he, Downing and another employee, Ronald Orgle, bought a total of 15 to 20 semi-automatic weapons for Blandon. The weapons were assorted handguns, semi-automatic Uzi machine pistols, KG99 "Tec-nine" machine pistols, and possibly semi-automatic AK-47's. Lister says he did not purchase ammunition for Blandon, but recalls purchasing a small number of commercially available "off-the-shelf" night vision devices for Blandon. Lister says he does not know what Blandon did with the devices.

134. Lister also recalls that he traveled to Hialeah, Florida, sometime in 1982 or 1983 and met with a Contra member named "Dr. Sabario" in an effort to sell "military supplies" to the Contras. Lister states that the military supplies were commercially available equipment such as non-reflective paint for equipment and surveillance detection gear of the type that can be purchased at electronic shops and "spy" stores. Lister states that this meeting with Dr. Sabario did not have any connection to Blandon, but was part of Lister's private security business. Lister states that, in the end, no purchases were made from him by the Contras.

135. Regarding the October 27, 1986 search of Lister's and Blandon's residences, Lister states that the LASD surveillance of his residence was spotted and made him aware of the impending searches. Lister recalls that one of his neighbors told Lister a couple of weeks before the October search that the neighbor had seen two men with "police-type" radios watching Lister's house and taking notes. Based on this, Lister assumed the police were about to arrest or search him. Lister told Blandon and Lister's attorney, Joseph Heneghan, about the incident. Lister states that Blandon simply smiled, but did not comment. Heneghan told Lister to call him if police arrived, but not to let them in without a warrant.

136. Lister recalls that five LASD deputies appeared at his door on the day of the search and told him that they had a valid warrant to search his prior residence, but would wait on his doorstep until they obtained another warrant for his present residence. Lister states that, despite the fact that the LASD did not have a warrant for his current

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residence, he chose to allow the search so as not to attract notice from his neighbors. It was at this time that Lister told the lead deputy, "You should not be here. I'm going to make a call." Lister states he was referring to a telephone call to his attorney and not "Mr. Weekly at the CIA" as was later reported in the *San Jose Mercury News* series. Lister denies he made any claims of a CIA connection or that he intended to call CIA. In his 1997 interview with CIA/OIG and DoJ/OIG representatives, Lister says he did not allege in the 1980s that David Scott Weekly was his "CIA contact."

137. Lister states that he did not call his attorney until after the deputies had departed. Lister states that, during the search, one of the deputies found one of the night vision devices he had obtained for Blandon and stated, "What are you . . . CIA?" Lister states that he denied any CIA connection, but did tell the deputies that he supported the Contras and that he had been in El Salvador.

138. Concerning the alleged "CIA documents" that the *San Jose Mercury News* series reported were seized by the LASD, Lister states that what was seized at his house and later reported in the newspaper as "CIA documents" was actually a hand-written business journal that he had prepared to document future legitimate business opportunities for his security company. Lister states that he was not in possession of any "CIA papers" at any time.

139. Lister also refutes the claim in the "Dark Alliance" series that "federal agents swooped down on the LASD and took the evidence which was seized at his house." Lister states that, to his knowledge, the only person who went to the LASD to retrieve property was Heneghan, acting in his capacity as Lister's attorney.

140. Lister states that he cooperated with the Costa Mesa Police Department and also helped the San Francisco FBI office on a narcotics case. Lister states that in 1989 he worked with several FBI Special Agents to target a Central American drug dealer named Nelson Magana. Lister says he had previously sold cocaine to Magana, and an FBI Special Agent wanted to use him against Magana. Lister claims that an FBI Special Agent was convinced that

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Lister, Blandon and Meneses were connected with CIA. Lister claims that FBI Special Agent wanted to prove a connection between the U.S. Government, the Contras and drug smuggling.

141. In discussing his cooperation with the DEA and the San Diego United States Attorney's Office, Lister states that he cooperated with the U.S. Government in its targeting of Blandon. Lister states that he attempted to cooperate honestly with Deputy United States Attorney Amalia Meza and a DEA Special Agent, but that both accused him of not keeping his end of their agreement and of continuing to engage in criminal activity. Lister states that the DEA Special Agent also accused him of laundering money for members of a Colombian drug cartel. Further, the DEA Special Agent accused Lister of stealing money from the cartel and then telling the Colombians that their money was "with the CIA." Lister denies these charges, but admits that he traveled to Mexico without telling the DEA Special Agent or Meza. Lister states that the DEA Special Agent returned him to jail, but later offered to give him protection from the Colombians. Lister states that he declined the DEA Special Agent's offer.

142. Lister asserts that he has never told anyone that he worked for or with CIA. He claims that the "Dark Alliance" series is "ridiculous," and says he does not believe the claim that Blandon was financing the Contras or that CIA was involved. Lister states that all the rumors about his connection to CIA are "mist and fog" perpetuated by *San Jose Mercury News* reporter Gary Webb and members of Congress. Lister admits that people may have received the impression that he was connected with CIA and that such misconceptions did not hurt his security business, but this was not his intention. Lister also states that he was never asked by anyone claiming to be connected with CIA to provide any support for the Contras or to smuggle cocaine on behalf of the Contras or CIA.

143. ***Other Individual Statements.*** Deputy to the United States Attorney for Special Prosecutions Amalia L. Meza, Southern District of California, states that she was formerly assigned to the Narcotics Section in the United States Attorney's Office. Meza recalls that she

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prosecuted Lister in 1989 in connection with a "buy-bust" scenario in which Lister attempted to sell approximately five to six kilograms of cocaine. Meza recalls that Lister agreed to cooperate with Narcotics Task Force agents and provided information regarding the source of his cocaine. Shortly thereafter, the DEA Special Agent advised Meza that he was interested in talking to Lister about a cocaine smuggling organization led by Blandon. While Lister was still in custody, Meza approached his attorney about enlisting Lister's cooperation in the Blandon investigation.

144. Meza states that Lister's attorney, Lynn Ball, indicated he would check with Lister to see whether Lister was interested in assisting the U.S. Government with the Blandon investigation. According to Meza, Ball indicated that Lister was going to have to check with "the Agency" first to see if he could provide information regarding the Blandon organization. Ball later indicated that Lister had been given "clearance" to cooperate. Meza and the DEA Special Agent say they assumed Lister was referring to CIA, but did not ask. Lister entered into a plea agreement that could reduce his sentence based on future cooperation.

145. Meza further recalls that the DEA Special Agent requested that Meza facilitate Lister's release from custody so he might assist the DEA Special Agent in the Blandon investigation. A warrant for Lister's arrest had been issued in connection with a state narcotics action in Orange County. Meza says she and the DEA Special Agent met with Orange County Deputy District Attorney Craig Robison to request that the arrest warrant be withdrawn so that Lister could be released from custody and provide assistance to DEA. Robison was very angry with Lister and explained that Lister had "conned" Robison into arranging Lister's release ostensibly to work on cases, but then had been arrested in San Diego. Robison warned Meza and the DEA Special Agent that Lister would do the same to them, but agreed nonetheless to work with the Meza and the DEA Special Agent in getting Lister released. The DEA Special Agent assured Robison that he would closely monitor Lister. Thereafter, Lister was released on a personal appearance bond that restricted his travel to California and required him to stay in close contact with DEA.

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146. Meza recalls that Lister alluded to CIA during debriefings, but no one from the investigative team pursued that subject. The focus of the U.S. Attorney's investigation was on cocaine smuggling. Meza says she never questioned Lister about, nor allowed him to discuss, any involvement of CIA or any other U.S. Government agency during these debriefings.

147. Meza recalls that the DEA Special Agent learned in June 1991 that Lister was engaged in laundering drug money for Colombians and had failed to return $500,000 to them. According to Meza, this information was corroborated and the Colombians wanted their money back, but Lister had told them he could not return it yet because it was "with the CIA." Reportedly, this did not assuage the Colombians, and the Colombians had put out a murder contract on Lister.

148. Meza says DEA decided to terminate its relationship with Lister immediately, and arrest and search warrants were obtained. Lister was arrested upon his return to the United States and admitted to the DEA Special Agent that he had been to Mexico in violation of his bail conditions. Meza proceeded with the sentencing for Lister relating to the "buy-bust" case, and the U.S. Government no longer allowed Lister to cooperate or provide any information regarding the Blandon organization. There were no further meetings with Lister, and Meza refused to request a reduction in sentence based upon Lister's cooperation.

149. Meza states that she also ceased working on the Blandon narcotics investigation at that time. Meza states that she did not halt her investigation of Blandon due to any CIA or governmental interference and no pressure was received from anyone or any agency to discontinue the Blandon investigation. She states that at no time did anyone from CIA contact her about Lister or the Blandon organization. Meza terminated her cooperative relationship with Lister solely because he proved to be untrustworthy and unreliable as a source of information. Meanwhile, Assistant U.S. Attorney L. J. O'Neale continued developing his money laundering

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investigation of Blandon, an investigation that had other reliable and credible witnesses. It was this investigation that led to Blandon's arrest and ultimate incarceration.

150. Craig Robison, a former Orange County Deputy District Attorney who is now a municipal judge, recalls that Lister was arrested in 1988 by Costa Mesa, California police after selling approximately one kilogram of cocaine to an undercover officer. Robison states that Lister came to the attention of the Costa Mesa Police Department because Lister told a local prostitute that he was a drug dealer. The prostitute was an informant for the police and turned Lister in to narcotics officers.

151. Robison, who is also a former police officer, recalls that Lister was a former Laguna Beach police officer. At the time of Lister's arrest, Robison handled narcotics cases exclusively and began working with local detectives who requested that Lister be released to work as their informant. Robison recalls that Lister was released on personal recognizance and helped the Costa Mesa Police Department set up a 10 kilogram cocaine and marijuana bust that targeted a local real estate agent and a former local judge. Robison also believes Lister aided the San Francisco FBI Field Office in a narcotics case there, but he does not recall any of the specifics. Robison also recalls members of the Costa Mesa Police Department saying something to the effect that Lister was telling people that he "worked with the CIA."

152. Robison recalls meeting with Meza concerning her request to use Lister as an informant in one of her investigations. Robison has no independent recollection that the investigation was targeted against Blandon, but is aware of this now as a result of media reports. Robison states he met with Meza and a federal agent--probably a DEA Special Agent--and agreed to have Lister's original arrest warrant for his one kilogram sale of cocaine to the local undercover officer withdrawn so he could cooperate with Meza. Robison says he warned Meza and the agent that Lister "was trouble and had provided false information" to the Costa Mesa Police Department.

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Robison states that Meza and the federal agent understood this but chose to use Lister nonetheless.

153. Robison states that he purposely had little contact with informants, but recalls Lister as a former police officer and "a pretty disgusting guy." Robison does not take Lister's claims of a CIA connection seriously and states that he was never approached by anyone claiming to be a representative of CIA with any request to stop any investigation of Lister.

154. ***Individual Statements: Ruppert.*** Michael Ruppert, a former Los Angeles Police (LAPD) officer, was interviewed by telephone after he attended former DCI Deutch's appearance at a Los Angeles "Town Hall" meeting on November 15, 1996 to address the issues raised by the *San Jose Mercury News* "Dark Alliance" series of articles. During DCI Deutch's appearance, Ruppert claimed that he had evidence of CIA participation in drug trafficking.

155. Ruppert states that he was an LAPD officer from 1973 to 1978, and alleges that he was forced to leave the LAPD after he uncovered a connection between the CIA and narcotics traffickers operating in California and Louisiana. Ruppert also claims that this connection involved elements of the organized crime underworld. Ruppert also states that he is aware of "mob" participation in the Bobby Kennedy assassination. According to Ruppert, he learned of the CIA/narcotics connection from his former girlfriend, Theodora D'Orsay, who Ruppert states also worked for CIA.

156. Ruppert states that he has never met Juan Norwin Meneses, Oscar Danilo Blandon, or Ricky Ross, but says he has met Ross' attorney, Alan Fenster. Ruppert says that he comes from a "CIA family" and is aware of a connection between Meneses, Julio Zavala and "The Frogman Case." Ruppert states, however, that his only source of information concerning that case and a Meneses/Zavala connection has come from media sources. Ruppert also states that he has been a close friend of former DEA Special Agent Celerino Castillo since 1993 and that Castillo has given him additional, unspecified, information.

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157. Ruppert claims that he was first approached to join CIA in 1973 while he was a senior at the University of California, Los Angeles. Ruppert states he was brought to Washington, D.C. and met with a CIA recruiter at the Old Executive Office Building. The recruiter allegedly told him that CIA wanted Ruppert to join the Agency and be "sheep dipped" back to the LAPD. Ruppert has no specific information regarding what duties a "sheep dipped" CIA employee would perform with the LAPD nor is he able to define that term. Ruppert states that he declined the recruiter's offer. Ruppert states that he is aware of another LAPD officer who was "sheep dipped" by the CIA and placed undercover in a Mexican weapons factory. Ruppert states that this officer was placed in the factory to support the Contras.

158. Ruppert also states that he is aware of involvement in narcotics trafficking on the part of former President George Bush. Ruppert claims that then-Vice President Bush was the head of "Operation Amadeus," or "Operation Amadeous." Ruppert has no specific details regarding this operation, but claims that he met with an unidentified aide to Vice President Bush on October 26, 1981 to discuss CIA involvement in a drug smuggling operation which involved the former Shah of Iran and the Iraqi Government. Ruppert states that the operation involved an effort to fund the Iraqi Kurds through narcotics trafficking.

159. No information has been found to indicate that Michael Ruppert has ever had any relationship or contact with CIA. Additionally, no information has been found to indicate that Ruppert had any connection with the Contras. No information has been found to indicate that CIA was involved in "Operation Amadeus" or "Operation Amadeous" or that an operation such as that described by Ruppert was ever considered or conducted by CIA. No information has been found to indicate that there was any "sheep dipping" program--presumably, use of LAPD as cover for CIA officers--involving CIA and the LAPD. No information has been found to indicate that Ruppert's former girlfriend, Theodora D'Orsay, has had any relationship or contact with CIA.

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CONCLUSION

160. **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

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WAS THE DRUG TRAFFICKING OF ROSS, BLANDON OR MENESES LINKED TO CIA OR CONTRA ACTIVITIES?

161. **Individual Statements: Ross.** Ross states that he began dealing powdered cocaine in 1979 or 1980 and was introduced to the cocaine trade by one of his former vocational school teachers. Ross also says he learned to "cook" powdered cocaine into crack cocaine from another Los Angeles acquaintance sometime in 1981. Ross recalls that, prior to his introduction to Danilo Blandon, "I had the market in [Los Angeles]. I was the largest cocaine supplier at the time." He says that by 1981, he had access to and could sell "pound" quantities of cocaine. He says that his suppliers at the time were cocaine dealers Henry Corrales and Ivan Torres and that he was larger than any other Los Angeles cocaine dealer that he knew of in the 1982 time frame. "I knew this because it was my business strategy to know my competitors and stay on good terms with them," Ross says.

162. Ross states that he met Blandon through Corrales in mid-late 1983 and began by buying ounce quantities of powdered cocaine from Blandon. Ross estimates that his business had grown so much by 1984 that he was purchasing approximately 100 kilograms of cocaine each week from Blandon. Ross further states that at the same time he was buying cocaine from Blandon, he bought between 40 and 100 kilograms a week from Ivan Torres. By 1984, he says, all of his customers wanted crack instead of powder. Selling crack from "rock houses" was his biggest money maker. He says he had six or seven such houses in South Central Los Angeles that were used exclusively for this purpose.

163. Ross estimates that, at the height of his business in 1985, he was buying and reselling up to 700 kilograms of cocaine a month and was making between $1 to 2 million a day from cocaine sales. Ross states that he continued to obtain his cocaine from Blandon until 1988 or 1989 when he claims to have stopped dealing in drugs. Ross states that, during his time in the cocaine trade (1979-1989), he sold

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cocaine in Ohio, Florida, Missouri, Texas, Washington State, Indiana, Oklahoma, and Louisiana, as well as California.

164. Ross states that he did not know many of Blandon's cocaine suppliers and did not know how Blandon imported cocaine from overseas into the United States. Ross states he did know that Blandon dealt with a Colombian who was nick-named "Fluco" [*sic*] and another man named "Tony" from New York. Ross never learned Fluco's or Tony's real or full names or the narcotics organizations with which they were associated. Ross also states that he never personally met Norwin Meneses or Ronald Lister.

165. Ross states that Blandon often spoke of Nicaragua, but never mentioned the Contras, CIA or any effort to give money to the Contras. Ross states that Blandon only spoke to him about the possibility of investing in a business idea of Blandon's to export legitimate U.S. merchandise to Nicaragua. Ross states that Blandon also attempted to get him to invest in other legitimate business ventures at various times.

166. Ross states that, while Blandon was still living in California, Ross bought several handguns, as well as semi- and fully-automatic machine guns and pistols--including Uzis, Mac 10s, Thompson submachine guns, and AK-47 assault rifles--from Blandon. Ross states that he and other members of his 30-person drug organization stored weapons in an unregistered automobile that was later impounded by one of the local California police departments. Ross states that Blandon only supplied him with weapons and that he had his own source for ammunition.

167. Ross states that he believes that the *San Jose Mercury News* series "Dark Alliance" is true and that CIA was involved with Blandon. Ross states that this belief is based solely on what he has learned from the media and what he and his attorney, Alan Fenster, have been told by *San Jose Mercury News* reporter, Gary Webb. Ross states that Webb provided information about the allegations of CIA involvement in drug trafficking to him and Fenster and told Fenster what questions to ask witnesses at Ross' trial. But for Webb, says

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Ross, he and his attorney would have had no information regarding the CIA and Contra allegations. However, Ross states, "I was a small fish compared to Blandon . . . . It just makes sense to me that [Blandon] is CIA because of the great deal Blandon got from the prosecutors."

168. **Individual Statements: Blandon.** Blandon says he left Nicaragua in June 1979 following the overthrow of Anastasio Somoza, and resettled in the United States, initially in Miami, later in Los Angeles. He recalls that he sold used cars before becoming involved in the cocaine trade.

169. Blandon states that he first met Norwin Meneses in 1981 through a mutual friend from Nicaragua. Although Blandon states he knew the family name and was aware that Meneses had a reputation as a "Nicaraguan Mafia type," he also states that he did not know Meneses was a cocaine trafficker in the United States when they were introduced. A short time after their introduction, however, Meneses offered to "help" Blandon by giving him cocaine to sell. Blandon states that Meneses provided him with two kilograms of powdered cocaine at no cost on the understanding that each cost $60,000 and that repayment would be made out of the sales profit. Blandon sold this cocaine to co-workers at the used car dealership where he worked and paid Meneses.

170. Blandon recalls that he made approximately $40,000 in profits from the cocaine trade in 1981 and 1982. Blandon states that he and Meneses stopped working together in the cocaine trade sometime in 1983 after a dispute.

171. Blandon states that he first became involved with black drug dealers from South Central Los Angeles in 1984, and that he was introduced to Ross by another drug trafficker sometime that year. However, he says he did not sell any cocaine to Ross until about 1985. Blandon states that he continuously supplied Ross with cocaine for only two years, 1985 and 1986.

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172. Blandon recalls that his first deal with Ross was for 12 kilograms of cocaine, after which Blandon supplied Ross with two to three kilograms a day. To simplify the logistics of supplying Ross, Blandon later gave Ross 25, or occasionally 50, kilograms at a time. Blandon denies--as is claimed by Ross--that he provided Ross as much as 100 kilograms weekly.

173. Blandon acknowledges supplying Ross with guns. Blandon says he purchased them from Lister, but denies that he sold Ross large quantities of weapons or any type of gun that could not be purchased at a local sports or gun shop. Blandon says he did not have access to military weapons and did not supply such weapons to Ross.

174. At some point in 1985, Blandon recalls, he began dealing with a drug dealer named Aparicio Moreno. Blandon was introduced to Moreno by Meneses. Blandon says he worked with Moreno until 1987 and was involved in at least one one-ton delivery that was delivered by air via Oklahoma. Blandon recalls that he and his associates thought "the plane might be connected to the CIA because someone had placed a small FDN sticker somewhere on the airplane. This was just a rumor though."

175. Shortly after his arrival in Los Angeles, Blandon says he met and began socializing with 20 or so other Nicaraguan expatriates. Blandon states that the group met weekly to talk about developments in Nicaragua and that the other members of this group also opposed Somoza and the Sandinista regime.* Blandon recalls that the group was a loose affiliation with no formal structure, officers, or membership requirements, etc. Blandon states that the Nicaraguan expatriates simply came together to share common experiences and discuss their mutual desires to see the Sandinista Government out of Nicaragua. Blandon states that this group of "California Contra sympathizers" held no position whatsoever in the official FDN military or civilian leadership in Honduras. Blandon states that, sometime in 1981, the group, like many others around the country,

* The *San Jose Mercury News* reports that Blandon met Meneses in connection with this group.

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was visited by Colonel Enrique Bermudez, who was then the military leader of the FDN. Blandon states that Bermudez came to a meeting of the group to give a "pep talk" and to ask that the group keep the idea of a free and democratic Nicaragua alive by publicizing the Contra cause in the United States.

176. Blandon states that Bermudez asked the group at this meeting to adopt the colors and flag of the FDN. From that time on, Blandon and the other members of the group called themselves FDN and used the FDN's colors, flag and letter-head. Blandon states, however, that at no time during this or subsequent meetings did Bermudez ask Blandon or the "California sympathizers" to raise funds by trafficking in drugs.

177. Blandon recalls that he gave several thousand dollars --he was unable to furnish an exact amount--to the California-based Contra sympathizers in 1981-82. Blandon states that he never told anyone in the group that the money came from drug trafficking, but rather gave the impression that the money was derived from his legitimate business activities. Blandon states that this money was used to support the operating expenses--plane tickets, rent, office supplies, etc.--of the California sympathizers and that none of this money went to support Contra operations in Central America.

178. Blandon states that, while both he and Meneses continued to attend meetings of the California sympathizers, they also continued their cocaine business. He and Meneses traveled to Bolivia in 1982 to make a drug deal, and stopped en route in Honduras to see some of Blandon's family friends. It was during this stop in Honduras, Blandon states, that he and Meneses met Bermudez for the second time.

179. According to Blandon, Bermudez told them of the trouble FDN was having in raising funds and obtaining equipment and asked him and Meneses to help, stating that "the ends justify the means." Blandon states that Bermudez never asked either of the men to raise money through drug trafficking and states his belief that Bermudez was not even aware that he and Meneses were already in

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the drug business. Blandon states that Bermudez also asked whether the two men could assist in the procurement of weapons, but that neither followed through in helping to obtain weapons for the Contras.

180. Blandon states that, after this meeting, both he and Meneses were escorted to Tegucigalpa airport by armed Contras. Unbeknownst to Bermudez and the Contras, Blandon says he was carrying $100,000 in drug proceeds to be used in the Bolivian drug deal. In the process of departing the airport, Blandon was stopped and detained by Honduran officials. Blandon states that his Contra escorts, seeing that Blandon had been detained with money, assumed that Blandon had been given the funds by Bermudez to purchase arms for the Contras. As a result, the Contras interceded on Blandon's behalf, effected the return of the money and secured Blandon's release.

181. In securing his release, Blandon recalls, the Contra escorts told the Honduran airport authorities that Blandon and Meneses were Contras. Blandon states he was allowed to leave the next morning and that he then joined Meneses, who had not been detained and who had been allowed to travel to Guatemala. According to Blandon, the intercession of the Contra escorts was fortuitous.

182. Blandon says he can only recall one occasion during his association with the California Contra sympathizers when he purchased anything of any real substance with drug profits for the group. Blandon states that on one occasion he used $2,000 or $3,000 in drug profits to put a down payment on a pickup truck to be used by FDN military forces. Blandon obtained the truck, filled it with medical supplies and radios, and turned it over to others to drive to Central America. He says that the truck was, in fact, later used by the FDN in Honduras. Blandon states that all of his later donations were in the form of much smaller amounts over a period of time and that those funds were used for office supplies for the California group. In total, Blandon estimates that he gave approximately $40,000 over the

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entire course of his association with the California Contra sympathizers.

183. Blandon says he does not know the total amount of money that Meneses gave the California sympathizers. He estimates, however, that Meneses may have given the group as much as $40,000 from drug profits during 1982-83. These were not cash donations, Blandon states, but instead involved payment by Meneses of various operating expenses such as plane tickets and office supplies. Overall, Blandon characterizes Meneses' role vis-à-vis the California sympathizers as primarily that of a "personnel recruiter" for the group.

184. Blandon recalls that he met Bermudez a third time at some point in 1983. Bermudez reportedly told the California group at that time that the FDN needed people, not money, because the CIA was providing money.

185. Blandon states that his final meeting with Bermudez occurred in 1983 at a Fort Lauderdale hotel where a "unification summit" of the five top Contra leaders was held. Blandon says he cannot recall all of the participants, but recalls that Bermudez and a member of the Chamorro family attended. Blandon states that he and several other California sympathizers were invited to attend but did not participate in decisionmaking meetings. Blandon states that he came away from the summit dissatisfied with the political leanings of the leaders and thereafter donated no money, from drug profits or other sources, to the FDN.

186. Despite this cessation of his support for the FDN, Blandon states, he did arrange a meeting between Lister and members of the California FDN in 1983 or 1984. Lister had claimed that he could procure weapons and equipment for the Contras, but it is Blandon's assessment that no one in attendance at the meeting took Lister seriously and no deals were made. Blandon recalls that, in addition to the usual attendees, several top Contra leaders were also in attendance, including Eden Pastora, Adolfo Chamorro, and Mariano Montealegre. Blandon also says Ivan Torres was present.

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The attendees showed no interest in Lister's offer and Blandon received the impression that the military arm of the Contras was already being supplied by CIA or another U.S. Government agency.

187. Although Blandon claims he made no further donations of money to the California sympathizers after 1983, he recalls having further contacts with various Contra personalities. However, he characterizes these contacts as being solely of a personal nature.

188. Blandon states that he allowed Eden Pastora, a leader of the Southern Front Contra movement, to live rent-free in one of his homes in Costa Rica from approximately 1984 to 1987. Blandon says he could have charged Pastora as much as $1,000 per month in rent if he had chosen to do so. Blandon states that "Pastora never asked me to raise money by selling drugs, but Pastora always asked everyone he came in contact with to help raise money for the Contra cause."

189. Further, Blandon recalls that, while living in California in 1985-86, he gave Pastora approximately $9,000 in funds for Pastora's personal use. Blandon states that these funds were derived from profits from his legitimate businesses. Blandon also says that he gave Pastora two automobiles to use in 1986. Blandon adds that, during the 1980s, he never informed Pastora that he was a drug trafficker and Pastora never asked. Blandon denies allegations that Pastora asked Blandon to bring him into the drug business.

190. Blandon states that he was never approached by any other person, including any U.S. or foreign government representative or member of any Contra group or faction, with any request to raise money for the Contras by drug smuggling or any other means. Blandon denies the allegation in the *San Jose Mercury News* that he "raised and funneled millions of dollars to the Contras by selling crack cocaine in California or anywhere else." The dollar sums that he says he provided are as follows:

- Blandon estimates that during his entire association with the California Contra sympathizers he donated approximately $40,000. He states that this money was used for the

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purchase of supplies and vehicles. Of this sum, Blandon estimates that approximately 70-80 percent derived from his drug business.

- Blandon estimates that the total monetary assistance he provided to Pastora was approximately $30,000. Blandon states that this amount includes the estimated value of the housing in Costa Rica that he provided Pastora rent free, both during and after the Contra conflict.

191. **Individual Statements: Lister.** Lister recalls that Blandon and Meneses would occasionally speak about the Contras and their desire for a Contra victory. He says that Blandon made statements about his desire to help the Contras, but "the money always went back into our pockets." Lister also characterizes Blandon's statements concerning his desire to help the Contras as "beer talk," rather than a serious organized effort. Lister states that he would be very surprised if any significant amount of Blandon's money went to the Contras because "we were drug dealers. We did it to make money for ourselves."

192. Lister does recall that Blandon asked Lister in the 1982-83 timeframe to help him buy weapons, some of which Blandon claimed were going to "my friends down South." Lister states that Blandon did not specify whether this referred to the Contras or his Southern California drug customers. Lister states that he and two colleagues supplied one or two guns monthly to Blandon, but he says that he does not know what Blandon did with the weapons.

193. Lister also recalls that he traveled to Florida sometime in 1982 or 1983 and met with a Contra member named "Dr. Sabario" in an effort to sell "military supplies" to the Contras. Lister states that this meeting did not involve Blandon and that, in the end, the Contras never made any purchase of supplies through him.

194. **Individual Statements: Pastora.** Pastora denies that he was involved in any effort to raise money for the ARDE by trafficking

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in drugs. Pastora states that he received money from several persons who later were arrested for, or convicted of, drug trafficking. Pastora states, however, that he did not learn that any of the donations he received were from narcotics trafficking until after those involved had been arrested.

195. Pastora acknowledges that, while he led the Southern Front forces, he received funds and the use of a C-47 cargo aircraft, as well as another smaller aircraft, which had been donated by narcotics trafficker Jorge Morales. Pastora states that he was not aware of Morales' drug trafficking activities until October 1984. Pastora states he canceled the cooperation deal in early January 1985 when he realized the potential political fallout from dealing with a narcotics trafficker. Pastora says he ordered the planes donated by Morales be returned when he learned Morales was a drug trafficker.

196. Pastora states that, in addition to the aircraft provided by Morales, he also received approximately $40,000 from Morales for various expenses. Pastora states that he also received approximately $20,000 from a Cuban, whose name Pastora could not recall, who was later charged with drug trafficking. In addition, Pastora received approximately $40,000 and the use of two helicopters from Leo Fernandez, another Cuban living in the United States. Pastora states that former Panamanian General Manuel Noriega gave him approximately $25,000 over the course of Pastora's visits to Panama.

197. Concerning Blandon, Pastora states that he was given two used pickup trucks by Blandon whose value Pastora placed at approximately $1,500 each. Pastora states that "it cost me more to get the trucks to Costa Rica than they were worth." Pastora states that Blandon also gave him approximately $6,000 and allowed Pastora to live rent-free in one of Blandon's houses.

198. **Individual Statements: Meneses.** Norwin Meneses claims that he was falsely implicated in the cocaine trade by pro-Sandinista elements of the Nicaraguan Government and by fellow Nicaraguan and convicted drug trafficker Enrique Miranda Jaimie.

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Despite his conviction in Nicaragua, Meneses denies that he was ever involved in cocaine trafficking in the United States or elsewhere.

199. Meneses denies that he ever raised money for the FDN or any other Contra organization by smuggling cocaine and diverting the profits to the Contras. In fact, Meneses denies that he was a fund-raiser for the California sympathizers and estimates that he gave the California FDN at most approximately $3,000 between 1982 and 1984. Meneses states that the funds were always in small amounts--$50 or $100 at a time--and were provided to pay local operating costs of the group.

200. Meneses states that he was never asked by Adolfo Calero, Enrique Bermudez, or any other member of the Contras to raise funds through drug smuggling. Meneses states that he and other sympathizers were well aware that "Bermudez was very strict and did not want anyone involved in drugs to be involved in the [Contra] movement." In addition, Meneses states that he is not aware of any other Contra members or sympathizers who were involved in drug trafficking for personal profit or as a method of raising funds for the movement.

201. Meneses states that, between 1983 and 1984, his primary role with the California sympathizers was to help recruit personnel for the movement. Meneses says he was asked by Bermudez to attempt to recruit Nicaraguans in exile and others who were supporters of the Contra movement. Meneses has no recollection, however, of the number of people that he may have recruited for the FDN.

202. Meneses states that he was not directed to recruit people with any specific skills--such as pilots or doctors, but was simply told to seek out anyone who wanted to join with the FDN. Meneses states that he was also a member of an FDN fund-raising committee, but was not the committee's head. Meneses states he did not raise "any significant amount of money" for the Contras during his association. Meneses adds that he was involved in 1985 in attempting to obtain

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"material support, medical and general supplies" for the Contra movement.

203. Meneses states that he recalls Blandon telling him that he gave funds to the Contras, but Meneses says he does not know how much Blandon gave or the source of Blandon's funds. Meneses states that "Blandon tended to exaggerate his importance to people and may have inflated the amount of money he gave to the Contra movement in order to make himself appear more important."

204. **Individual Statements: Luis Meneses.** Arrested along with Norwin Meneses in November 1991 on narcotics trafficking charges was his older half-brother, Luis Enrique Meneses. Luis Meneses says he was a member of the military arm of the FDN and fought in the field with Bermudez and FDN forces. He states that he has no knowledge of anyone in the FDN leadership, the FDN rank and file, or officials of the U.S. Government being involved in cocaine trafficking.

205. Luis Meneses states that he has no knowledge that his brother, Norwin Meneses, or Blandon ever donated any money or equipment to any Contra group. Meneses states he is only aware that his brother Norwin helped the Contras by recruiting personnel from the Nicaraguan community in the United States. Luis Meneses says that his brother told him that he never gave any money to the Contras.

206. **Individual Statements: Miranda.** Miranda was arrested along with the Meneses brothers in 1991. He says that Norwin Meneses told him that Meneses' drugs were shipped from Colombia to public airfields he could not identify in Costa Rica. There, the drugs were transferred to cargo aircraft that then flew on to the United States. He says the aircraft were in Costa Rica and were empty because they had been used to transport arms from the United States to the Contras.

207. Miranda says Norwin Meneses also told him that Salvadoran military aircraft would transport arms from the United

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States to the Contras and would return carrying drugs to an airfield near Ft. Worth, Texas. Miranda says Meneses allowed him to witness one shipment arriving near Ft. Worth. He says that, when the aircraft arrived, maintenance people took the drugs and gave them to Meneses' people who placed them in vans. Miranda says Norwin Meneses told him in later years that he ceased selling drugs for the Contras in 1985 when he moved to Costa Rica.

208. **Individual Statements: Renato Pena.** Renato Pena Cabrera is a convicted drug trafficker who says that he associated with Norwin Meneses and claims to have participated in Contra-related activities in the United States from 1982-1984. No information has been found to indicate that CIA had a relationship or contact with Pena or that he was of operational interest to CIA.

209. Pena says he met Norwin Meneses in 1982 at a San Francisco meeting of the FDN, for which he served as an official, but unpaid, representative of the political wing in northern California from the end of 1982 until mid-1984. Pena says he and Meneses met through Meneses' nephew Jairo, who was in charge of Norwin Meneses' drug network in the San Francisco area. Pena says Norwin Meneses had Contra-related dealings with FDN official Enrique Bermudez. Pena says that, when he was removed from his FDN position in mid-1984--possibly because Contra officials suspected him of drug trafficking--he was appointed to be the "military representative to the FDN in San Francisco," in part because of Norwin Meneses' close relationship with Bermudez.

210. Pena says he made from six to eight trips from San Francisco to Los Angeles between 1982 and 1984 for Meneses' drug-trafficking organization. Each time, he says he carried anywhere from $600,000 to $1,000,000 to Los Angeles and returned to San Francisco with six to eight kilograms of cocaine. Pena says that a Colombian associate of Meneses' told Pena in "general" terms that portions of the proceeds from the sale of the cocaine Pena brought to San Francisco were going to the Contras.

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211. **CIA Records.** An October 22, 1982 cable from a DO/Domestic Collection Division (DCD) Station reported that a U.S. law enforcement entity had reported that:

> . . . there are indications of links between [a U.S. religious organization] and two Nicaraguan counter-revolutionary groups . . . . These links involve an exchange in [the United States] of narcotics for arms.

In addition, the cable said there was to be a meeting among the participants in Costa Rica regarding this exchange. According to the cable, the U.S. law enforcement entity also was in contact with another U.S. law enforcement entity regarding this matter. On October 27, 1982, Headquarters advised the DCD Station by cable that there was further interest in the report if the allegations "have some basis in fact" and asked the DCD Station to recontact the U.S. law enforcement entity for additional information.

212. After further consultation with the U.S. law enforcement entity that had provided the report, the DCD Station reported to Headquarters in a November 3, 1982 cable that it had learned that the attendees at the meeting would include representatives from the FDN and UDN, and several unidentified U.S. citizens. The cable identified Renato Pena as one of four persons--along with three unidentified U.S. citizens--who would represent the FDN at the Costa Rica meeting.

213. In the November 3, 1982 cable, the DCD Station Chief expressed concern regarding further CIA involvement in this matter because of the apparent participation of U.S. citizens. On November 13, 1982, Headquarters replied that "in light of the apparent involvement of U.S. persons throughout, agree you should not pursue the matter further."

214. No information has been found to indicate whether the meeting took place. However, a November 17, 1982 Headquarters cable to an LA Division Station discussed the alleged meeting and stated:

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> It is [Headquarters'] opinion that much of information . . . simply does not make sense (i.e., UDN/FDN cooperation, need to obtain armament through illegal means, shipment of arms to Nicaragua, involvement with the [U.S. religious organization]). We see a distinct possibility that the [the U.S. law enforcement entity] was either intentionally or unintentionally misinformed. However, since the information was surfaced by another [U.S. Government] agency and may return to haunt us, feel we must try to confirm or refute the information if possible. To best of [LA Division Station's] knowledge, have the [Contras] scheduled any meeting in the next few weeks? If so, what information do you have regarding the attendees? Do you have any other information which might relate to contents of [referenced messages].

In its November 18, 1982 response to Headquarters, the LA Division Station reported that it was aware that several Contra officials had recently gone to the United States for a series of meetings, including a meeting with Contra supporters in San Francisco, but the Station had no further information to offer.

215. Pena says the U.S. religious organization that had been named by the U.S. law enforcement entity was an FDN political ally that provided only humanitarian aid to Nicaraguan refugees and logistical support for Contra-related rallies, such as printing services and portable stages. He also says his Contra-related activities were all conducted in the United States and that he never traveled outside of the United States because of his immigration status as a political asylum applicant.

CONCLUSION

216. **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

217. No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any

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commitment to support the Contra cause or Contra activities undertaken by CIA.

218. Blandon and Meneses claim that they each donated between $3,000 and $40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

219. Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

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DID CIA INTERVENE OR OTHERWISE PLAY A ROLE IN ANY INVESTIGATIVE OR JUDICIAL PROCESSES INVOLVING THE DRUG TRAFFICKING ACTIVITIES OF ROSS, BLANDON OR MENESES?

220. **CIA Records:** No information has been found to indicate that CIA was involved in any way on Blandon's, Ross' or Meneses' behalf in any prosecution or investigation of their illegal activities.

221. **Individual Statements: Ross.** Ross says he suspects that CIA was involved with Blandon. This suspicion is based solely on Ross' assumption that Blandon should have received a longer prison sentence after being convicted of drug trafficking in 1994 and that some sort of U.S. Government intervention in the judicial process must have occurred to favor Blandon. Ross acknowledges he has no other documentary or personal information to support his suspicion of a CIA connection to Blandon.

222. **Individual Statements: Blandon.** Blandon states that no one from CIA or any other U.S. Government agency warned him of the October 1986 search of his residence by the Los Angeles County Sheriff's Department (LASD). Blandon says that he suspected there would be searches after FBI agents interviewed one of his employees and that this caused him to ensure that his house contained no drugs or other evidence of his unlawful activities.

223. Blandon also disputes the numerous press accounts alleging that his defense attorney made any statements to the LASD to the effect that the CIA would "wink at this kind of stuff." Blandon does not know the source of this story, but states that he had no contact with CIA and never told his lawyer there was such a connection. Thus, he doubts that his defense attorney made such a statement.

224. **Other Statements.** A member of the LASD who headed the task force that investigated Lister and Blandon states that he is aware of no statements by Blandon's defense attorney regarding CIA.

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Further, the LASD officer says that neither he nor any member of his team received any pressure from CIA or other federal agency to "back off" from the investigation of Blandon and Lister. He adds that he has seen the press reporting concerning missing evidence allegedly taken by "unnamed federal agents who swooped down and took it away," but that he is aware of no evidence that ever disappeared or any federal agents who took any such evidence.

CONCLUSION

225. **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

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FINDINGS: NORTHERN CALIFORNIA STORY

DID ANY OF THE INDIVIDUALS WHO WERE ARRESTED IN "THE FROGMAN CASE" HAVE ANY RELATIONSHIP WITH CIA? WERE THE DRUG TRAFFICKING ACTIVITIES OF ANY OF THOSE INDIVIDUALS LINKED TO THE CONTRAS?

226. On January 17, 1983, federal law enforcement officials in San Francisco made 12 arrests and seized 430 pounds of cocaine that was being brought ashore by swimmers from a Colombian freighter. Additional arrests were made later in January and in February 1983.

WERE THOSE ARRESTED CONNECTED WITH CIA?

227. More than 50 individuals were eventually arrested in what came to be known as "The Frogman Case." Many were Nicaraguans, and two of these--Julio Zavala and Carlos Cabezas--claimed later that their drug trafficking activities were linked to the Contras. None of those arrested--including Zavala and Cabezas--claimed at the time that they had any relationship with CIA.

228. **CIA Records**. No information has been found to indicate that CIA had any relationship with any of the individuals who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

229. Agency records did include several references to one of the individuals arrested in The Frogman Case, Julio Zavala:

- A 1980 cable from an LA Division Station to Headquarters discussed a Nicaraguan official who was thought to be a drug addict. According to the cable, a CIA asset had identified the Nicaraguan official's "supplier" as Zavala, who was identified as a Miami-based friend of the official;

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- A March 1982 cable to CIA from a U.S. law enforcement entity asked that CIA periodically debrief this CIA asset on behalf of the law enforcement entity to gather information about Zavala's drug trafficking activities.

230. Agency records also include information concerning an individual with a name similar to that of one of those arrested or convicted as part of The Frogman Case. This individual was connected with CIA and a Contra organization in 1985, but cannot be the same individual since The Frogman Case defendant was serving a 10-year jail sentence in the United States at that time.

231. ***Individual Statements and CIA Records: Cabezas.*** Carlos Cabezas claims that, during one of several trips he made to Costa Rica to deliver Contra drug proceeds to Horacio Pereira and Troilo Sanchez, Pereira introduced Cabezas to a man who said he was "Ivan Gomez" of the CIA. Cabezas says this meeting took place in April or May 1982 at a hotel in San Jose, Costa Rica. Those present at this meeting with "Ivan Gomez" allegedly included Cabezas, Sanchez, Pereira, and Zavala. According to Cabezas, both Pereira and "Ivan Gomez" told him that "Ivan Gomez" was "the CIA's man in Costa Rica" and that "Gomez was there to ensure that the profits from the cocaine went to the Contras and not into someone's pocket." Cabezas says he did not see anyone give "Ivan Gomez" any money at this meeting, nor was cocaine or any other drug present.

232. Cabezas claims to have met "Ivan Gomez" on one other occasion about two or three months later--i.e., late summer 1982--when he met with "Ivan Gomez" and Pereira at the airport in San Jose, Costa Rica. Cabezas says he cannot recall if the purpose of this meeting was to pick up cocaine to take back to the United States or to drop off money. As Cabezas recalls, "Ivan Gomez" was present, but did not participate in the discussions. Cabezas says he never saw "Ivan Gomez" again, but describes him as a fluent Spanish speaker, about 6 feet tall, 180 pounds in weight, with curly black hair, and an athletic build.

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233. CIA records indicate that a CIA independent contractor used "Ivan Gomez" as an alias in Costa Rica in the 1980s. However, the physical description of the CIA independent contractor is significantly different--although the CIA independent contractor has curly hair and speaks fluent Spanish, he is much shorter and of slighter build than the person described by Cabezas. Further, CIA records indicate that the CIA independent contractor who used the alias "Ivan Gomez" was in the United States and not in Costa Rica during April or May 1982 when the meeting that Cabezas describes allegedly occurred.

234. On August 8, 1984, a Nicaraguan newspaper published a photograph of an individual named "Ivan Gomez" with a caption stating that this individual worked for CIA. Thus, the information alleging that "Ivan Gomez" might be linked to CIA became a matter of public record and would have been available to Cabezas and his colleagues.

235. The CIA independent contractor who used the alias "Ivan Gomez" in the 1980s denies ever meeting Cabezas, Sanchez, Zavala, or Pereira or participating in a meeting with them in the San Jose hotel. Also, as mentioned earlier, his physical characteristics are significantly different from the person described by Cabezas.

236. Cabezas was shown 16 photographs of individuals. These included two photographs of the CIA independent contractor who used the alias "Ivan Gomez" that were taken in the early to mid-1980s, one of which was a photograph of the CIA independent contractor in an operational disguise. Cabezas identified two photographs of different individuals as the "Ivan Gomez" with whom he claimed to have met. Neither individual he selected was the CIA independent contractor who used the alias "Ivan Gomez," and both are photographs of individuals who have never had any relationship with CIA.

237. ***Individual Statements: Zavala.*** Zavala denies ever being introduced to an "Ivan Gomez" who claimed to represent CIA. Zavala recalls, however, meeting with Cabezas and others at the San

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Jose hotel in question in late 1981 or early 1982 to discuss a drug deal. Zavala says he knew the individuals who participated in this meeting and none claimed any CIA affiliation.

238. Zavala says that one of the 16 photographs that had been shown to Cabezas looks vaguely familiar to him, but he is unable to recall why. The photograph Zavala thought looked familiar is not one of the two persons whose photographs were selected by Cabezas, nor did Zavala select either of the two photographs of the CIA independent contractor who used the alias of "Ivan Gomez."

239. ***Individual Statements: Others.*** Zavala's wife Doris Salomon says she does not know the "Ivan Gomez" described by Cabezas. She claims not to recognize any of the persons pictured in the 16 photographs that were shown to Cabezas and Zavala.

240. Troilo Sanchez does not recall meeting anyone named "Ivan Gomez." He also denies ever meeting to discuss drug trafficking or the Contras with anyone who claimed to represent CIA. Nevertheless, Sanchez claims that Norwin Meneses introduced him to an individual in Costa Rica named "Roberto" in 1987--not in 1981 or 1982; "Roberto" reportedly claimed he worked for CIA.* Sanchez provided a photograph of the person he claims is "Roberto." The "Roberto" in the photograph bears no resemblance to photographs of the CIA independent contractor who used the alias "Ivan Gomez."**

WERE THOSE ARRESTED CONNECTED WITH THE CONTRAS?

241. As noted above, two of the individuals--Julio Zavala and Carlos Cabezas--arrested in connection with The Frogman Case claimed that their drug trafficking activity was tied to the Contras.

242. During a search of Zavala's residence by federal law enforcement authorities on February 15, 1983, a weapon, cocaine and

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* According to CIA Records, this statement is not true.

** CIA records indicate that "Roberto" was not associated with CIA in 1987 when Troilo Sanchez claims he met "Roberto."

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thousands of dollars in cash were seized.* It was believed at the time by federal prosecutors that the money was related to Zavala's drug trafficking activities. In 1984, however, federal prosecutors decided to return $36,800 to Zavala after the Court received letters from two individuals who claimed to represent Contra organizations. In their letters, the officials claimed that the money that had been seized during the search of Zavala's residence belonged to their organizations.

243. **Media Allegations.** On March 16, 1986, the *San Francisco Examiner* published an article pertaining to The Frogman Case titled "Big Bay Area Cocaine Ring Tied to Contras." The article reported that Zavala, then serving a 10-year sentence in a federal penitentiary in Seagoville, Texas following his conviction on federal conspiracy and continuing criminal enterprise (CCE) charges, had been interviewed by telephone in connection with the article.

244. According to the article, Zavala claimed that he had delivered $500,000 to Francisco Aviles Saenz, whom the article identified as being associated with two Costa Rican-based Contra groups--the Conservative Party of Nicaraguans in Exile (PCNE) and the Nicaraguan Democratic Union/Nicaraguan Revolutionary Armed Forces (UDN/FARN). The article quoted Zavala as saying, "I was participating in a lot of the movement against the government of Nicaragua." Further, the *San Francisco Examiner* article claimed that Zavala had said, "I was helping out with money and equipment, and sometimes I was helping out by making connections with people who had weapons."

245. The 1986 *San Francisco Examiner* article also reported that Zavala had received two letters at the time of his trial in 1984. One had been signed by Aviles, the "political secretary" of PCNE, and by Vicente Rappaccioli, the PCNE's "treasurer." Reportedly, this letter identified Zavala as an assistant treasurer of the PCNE in the United States. According to the *San Francisco Examiner* article, Aviles stated in the other letter--that he signed as the UDN/FARN's "International

* Zavala claims the amount was $65,000. Media reports place the amount at $36,020.

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Secretary"--that Zavala had made several trips to Costa Rica on behalf of UDN/FARN and had received $45,000, described as having been "collected amongst our collaborators" for "purchases characteristic of this organization." These letters also indicated that the money seized from Zavala's home at the time of his February 1983 arrest had been for "the reinstatement of democracy in Nicaragua."

246. In conjunction with the letters, Zavala's court-appointed attorney alleged that CIA was involved in Contra drug trafficking activities. The attorney filed an affidavit identifying Zavala as a member and treasurer of the "conservative party" (not further defined) and claiming that the seized money belonged to that party. Zavala was reported by the article to have said that Aviles personally gave him $45,000.

247. According to the *San Francisco Examiner* article,

> Aviles admitted in a telephone interview from Costa Rica that he had written the letter for Zavala, but said he only met Zavala once, when he gave him "about $35,000" to buy shirts, pants and boots for PCNE soldiers. He did not explain why the letter said he gave $45,000 to Zavala.

248. The article also named Doris Salomon--Zavala's wife and reportedly a Contra fund raiser--as the person who had arranged for the two letters to be provided to Zavala in 1984. Further, the *San Francisco Examiner* article stated that Horacio Pereira, a businessman in Costa Rica who was alleged to have supplied cocaine to Zavala, had told Carlos Cabezas that profits from the sale of cocaine by Zavala and Cabezas went to the Contras.

249. **CIA Records.** As a result of this article, CIA officials conducted a review of Agency records in 1986 to determine whether there was any truth to these assertions. An April 10, 1986 DO/Latin America Division (DO/LA Division) memorandum indicated that searches of Agency records had revealed no information regarding Julio Zavala's wife, Doris Salomon. However, CIA records did contain information describing Horacio Pereira--one of the

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individuals who had been implicated in The Frogman Case as a cocaine supplier to Zavala--as an associate of Sebastian Pinel, described as a Nicaraguan exile and suspected drug dealer who was then living in Buena Vista, California.

250. CIA Headquarters also asked two DO LA Division Stations and an FR Division Station on April 9, 1986 for any information in their files that might be pertinent to the newspaper allegations. The FR Division Station was also instructed by Headquarters to contact the FBI for "any concrete information from Cabezas/Zavala case which linked them with anti-Sandinista forces," including to whom they were linked and at what point and how Contra leaders might have become involved.

251. Two cables from the FR Division Station reported on April 10, 1986 what had been learned from the FBI. These cables noted that:

- The FBI had treated The Frogman Case as purely a criminal matter, with the FBI impression being that Zavala and Cabezas were "professional drug dealers and nothing more";

- The FBI was not aware of any link between Zavala or Cabezas and the Contras;

- The FBI reported that $36,800 that had been seized during the search of Zavala's residence had been returned to Zavala on September 7, 1984 via a cashier's check; and,

- The FBI had offered to broker a meeting between United States Attorney Joseph Russoniello and CIA to discuss The Frogman Case. However, CIA decided against such a meeting because of the politicized atmosphere in which Russoniello worked and the assumed undesirability of having it become public that CIA was making such inquiries.

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252. An LA Division Station also responded in a cable to Headquarters on April 10, 1986. This cable reported that the *San Francisco Examiner* assertion that Chamorro was linked to California drug traffickers was "completely false." The report said that one of the individuals named in the newspaper article, Francisco Aviles, had not joined Chamorro's organization until February 1984, and that Chamorro had confronted Aviles with the March 1986 newspaper allegations linking him with drug trafficking on behalf of the Contras in 1983. When Aviles was unable to provide a credible explanation, according to the report, Chamorro dismissed him from the organization.

253. An April 11, 1986 cable from the same LA Division Station to Headquarters reported additional information. The report said Aviles had not occupied the position of UDN/FARN Secretary of International Relations that the March 1986 newspaper article assigned to him.* According to this report, Aviles had provided letters on behalf of the Contras requesting that cash seized from Zavala's residence be returned. When Aviles was unable to explain to Chamorro why he took this action, Aviles was summarily expelled from UNO/FARN in March 1986. The Station report indicated that this source said that Aviles acted independently and may have taken advantage of an opportunity to make some money.

254. Another LA Division Station responded to Headquarters in an April 11, 1986 cable that reported the results of a meeting with UNO/FARN leader Fernando Chamorro. The cable stated that:

- Chamorro and his staff had never met Carlos Cabezas, Julio Zavala, Horacio Pereira, or Doris Salomon;

- UNO/FARN had never accepted large donations of money from any organizations that did not explain the source of the contributions;

* UDN/FARN later became UNO/FARN.

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- Francisco Aviles was not involved in Southern Front activities in 1983 when The Frogman Case arrests were made; and Chamorro and many of his followers were located in Honduras--not in Costa Rica--at the time; and

- Aviles had been informed verbally that he had been expelled from UNO/FARN. A written order to that effect was to follow shortly.

The LA Division Station cable also reported that Chamorro had claimed that Vicente Rappaccioli, who was also identified in the March 1986 newspaper article as having Contra connections, was not involved with Nicaraguan resistance activities.

255. On April 11, 1986, Headquarters advised several LA Division Stations to take no further action. Headquarters reported it had determined that Aviles and Rappaccioli had acted purely on their own authority when they provided letters on behalf of Zavala and had not done so at the behest of Chamorro's Contra group.

256. CIA files indicate that the April 11, 1986 Headquarters instruction that the LA Division Stations take no further action was based on information provided by one of the LA Division Stations that reportedly Aviles had changed his story. Contrary to what he reportedly told the *San Francisco Examiner*, he now claimed that he had never provided Zavala with any money.

257. According to this report, Chamorro had said that Aviles had originally said Zavala had been given $50,000 of UDN/FARN's money. Now, however, Aviles was stating that Doris Salomon--whom the report mistakenly said had been indicted in connection with The Frogman Case--had approached Aviles and asked him to write a letter on behalf of Zavala saying the money belonged to UDN/FARN. Although Aviles indicated UDN/FARN would get a donation as a result of his providing Salomon with the letter, the report indicated that Aviles may have received a bribe instead.

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258. ***Individual Statements: Zavala.*** Zavala contends that he never donated any money--including drug trafficking proceeds--to the Contras. Zavala asserts that the Contras never asked him to sell drugs and that he has no knowledge that Contra-affiliated persons engaged in drug trafficking. Further, he says that he had only one direct contact with any Contra-affiliated organization or individual, this being a meeting with then-Contra Francisco Aviles Saenz in early 1983.

259. Zavala says that he was traveling to Costa Rica on a biweekly or monthly basis in the early 1980s on business unrelated to the Contras. On one of those occasions, his wife, Doris Salomon, introduced him to Aviles at Aviles' home in San Jose. It was at this meeting that the issue of support to the Contras came up, and it was agreed that Zavala would use $45,000 given to him by Aviles to make purchases in the United States of weapons and communications equipment for the Contras. Zavala claims that, once the purchases were made, Aviles was to make the appropriate arrangements to ship the weapons and equipment to Central America. Aviles, according to Zavala, never disclosed to Zavala where the money had come from.

260. Zavala says he subsequently contacted a person from El Paso, Texas regarding the possible purchase of arms and equipment. Zavala claims no recollection of the types or quantities of equipment he was to purchase, nor the name of the El Paso contact. However, he recalls researching cost and availability and concluding that the $45,000 would not buy much of what was needed. Subsequently, the El Paso contact agreed to come to San Francisco to meet with Zavala.

261. On the night before the El Paso contact's visit, Zavala claims he placed $65,000 in cash in a night stand located in his bedroom. The cash consisted of the $45,000 that he had been provided by Aviles, plus $20,000 of Zavala's personal funds. Zavala says he remembers the dollar amount exactly because he intended to use the money to show the El Paso contact that he had sufficient money for the purchase. Zavala claims that he only planned to discuss his options with the contact, but not to make any purchases at that time. No meeting took place between the El Paso contact and

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Zavala because, on the day the contact was to fly to San Francisco for the meeting, Zavala was arrested and the money was seized by federal law enforcement authorities.*

262. According to Zavala, Aviles provided Zavala's attorney with the letters that are referred to in the 1986 *San Francisco Examiner* article. Zavala claims he never met Rappaccioli and does not know what role, if any, Rappaccioli played in the Contra movement. Zavala speculates that Aviles arranged for a letter to be signed by Rappaccioli to add strength to the claim that the seized money belonged to the Contras.

263. Zavala says he was never affiliated with the PCNE or UDN/FARN and is unable to identify these organizations. In fact, he claims not to have followed Nicaraguan internal matters closely at all, having immigrated to the United States in 1961. While Zavala concedes that he may have told the *San Francisco Examiner*, and later the FBI, that he had contributed money to the Contras, he also claims that he was "misquoted" in the 1986 *San Francisco Examiner* article which reported that he had said he donated $500,000 to the Contras.

264. Zavala provided a handwritten, sworn statement asserting in part:

> . . . .
>
> I don't have any knowledge of CIA involvement in drug trafficking activities;
>
> I do not have any knowledge of Contras official [*sic*] or personal [*sic*] involvement in drug trafficking activities;
>
> Relating to personal or drug related [illegible], I never donated any money to the Contra cause;

* Zavala claims law enforcement authorities "pocketed" portions of the $65,000 that they seized from Zavala at the time of his arrest.

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> I was given $45,000 from Mr. Aviles to purchase communication gear for El Partido Liberal Catolico. The transportation of this equipment was their response [illegible].
>
> . . . .

265. ***Individual Statements: Cabezas.*** Cabezas, currently an attorney in Nicaragua, was arrested in San Francisco in 1983, convicted and sentenced in 1984 in connection with The Frogman Case. According to the March 1986 *San Francisco Examiner* article, Cabezas claimed he had worked with two Southern Front Contra groups, UDN/FARN and Democratic Revolutionary Alliance (ARDE). Further, the article stated that he had claimed the proceeds from his cocaine sales "belonged to . . . the Contra revolution."

266. Cabezas says he began working with Zavala in October 1981 and that his job was to distribute cocaine to Zavala's street dealers and to collect the profits for their own personal gain. Zavala, according to Cabezas, had a narcotics distribution network from which Zavala alone profited. However, Zavala also was part, says Cabezas, of a second, parallel network that brought cocaine into the United States for the purpose of raising funds for the Contras. Cabezas claims that the money seized from Zavala's residence at the time of Zavala's 1983 arrest was drug money that had been collected from a dealer and not money provided to Zavala by the Contras for the purchase of supplies.

267. Cabezas says that he began importing cocaine sometime after October 1981 when he smuggled one or two kilograms of powdered cocaine into the United States. The cocaine, according to Cabezas, was concealed in woven hand-baskets that had been filled with cocaine in Costa Rica by a friend of Nicaraguan drug dealers Troilo Sanchez and Horacio Pereira. Cabezas states that he stayed with Pereira in Honduras for two or three days and Pereira gave him a small woven straw basket just before Cabezas left for the United States. According to Cabezas, Pereira instructed him to buy a bottle of whisky to place in the basket and, upon arrival in San Francisco, to give the basket to Zavala personally. Cabezas says that he delivered

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the basket and watched Zavala take a "razor" knife and slit the basket open. It was only then that Cabezas says he realized he had carried what he estimates to have been one to two kilograms of high-quality powdered cocaine.

268. Cabezas also claims that he attended a December 1981 meeting involving Troilo Sanchez, Horacio Pereira, Zavala, and Zavala's wife Doris Salomon at a hotel in San Jose, Costa Rica. He believes this meeting was the genesis of an effort to raise money for the Contras by selling drugs. Although the original reason for the meeting was purely social, Cabezas says Sanchez and Pereira raised the idea of selling cocaine as a means to raise funds for the Contras. Cabezas says Pereira and Sanchez discussed the idea with him because both knew of Cabezas' role in the Zavala organization. Although it was Sanchez' and Pereira's idea to raise funds for the Contras by engaging in drug trafficking, Cabezas says it was Zavala who came up with the idea that Cabezas serve as a go-between by collecting the money from street dealers and delivering it to Central America.

269. Cabezas states that he undertook a trip for this Contra fund raising enterprise sometime in early 1982. Cabezas recalls traveling to San Pedro Sula, Honduras at that time and spending two or three days with Pereira. Pereira reportedly told Cabezas that they were there to meet a Peruvian who would be bringing drugs for shipment to the United States. Cabezas says that he received the cocaine and brought it to the United States where it sold quickly. He says he returned to Honduras a short time later and delivered approximately $100,000 from the sale of the cocaine to Pereira. Cabezas recalls that, after this first delivery, "Contra mules"--typically airline flight attendants--would bring the cocaine to the United States one kilogram at a time in woven baskets. Cabezas says he would disassemble the baskets and extract the cocaine, which was then given to Zavala's street dealer network for sale. In all, Cabezas claims, he made more than 20 trips to Honduras and Costa Rica during 1982, delivering more than $1 million to Sanchez and Pereira.

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270. Cabezas says that two of Troilo Sanchez' brothers--Aristides and Fernando--were Contra leaders. Cabezas alleges that he delivered an unspecified amount of money for the Contras from drug trafficking to Aristides Sanchez in Miami on at least one occasion, possibly in 1982 or early 1983. Cabezas says that he never specifically told Aristides Sanchez that the money came from drug proceeds, but only said that it was from Troilo. Cabezas says he assumes Aristides Sanchez must have known what Troilo was involved in.

271. A few months later, Cabezas recalls, he was told by Pereira and Troilo Sanchez that Zavala could no longer be trusted with the "Contra side" of the operation because Zavala was skimming money to pay his personal cocaine distribution debts to the Colombian cartels. Cabezas states that the two operations had operated in parallel up to that point and that proceeds from cocaine sales were separated into two accounts--Contra and Colombian. Once Zavala came under suspicion, however, Pereira instructed Cabezas to collect the "Contra profits" and to deliver the money directly to Pereira and Troilo Sanchez.

272. Cabezas says he personally witnessed Pereira deliver money to a Contra combatant named Juaquin Vega in Danli, on the Nicaraguan/Honduran border, where Cabezas says the money was used "to feed the troops and help the families of Contra soldiers." On average, Cabezas says, he carried $64,000 on each of his 20 trips to Central America, although he also claims that he and another person once delivered about $250,000 to Pereira and Sanchez. Cabezas says he was paid approximately $2,000-$2,500 monthly by Pereira and another $500 by Zavala for what he says were "non-Contra" drug trafficking activities. Cabezas claims that he kept meticulous financial records of his trips in a ledger and that this ledger was seized by the FBI at the time of his arrest in 1983 as part of The Frogman Case.

273. ***Individual Statements: Others.*** Zavala characterizes Cabezas--who testified against him in the prosecution of The Frogman Case--as "very sneaky." Rather, Zavala says he believes

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Cabezas' drug-related activities were for his personal enrichment, although Zavala concedes that he was "cut" off from Cabezas' dealings with Pereira and Troilo Sanchez. Zavala is clear that, prior to the break with Cabezas, he saw nothing and was told nothing that would suggest to him that Cabezas was selling drugs for the Contras.

274. Cabezas says that he told an FBI Special Agent following the 1983 arrest, about his activities in raising funds for the Contras through the sale of cocaine. The FBI Special Agent, however, says he has no recollection of Cabezas telling him about his Contra fund raising activities.

275. Troilo Sanchez disputes most portions of Cabezas' story. Sanchez claims that he was not personally involved with the Contras, although his brothers--Enrique, Aristides, Fernando, and Victor--were. According to Sanchez, Cabezas and Pereira were drug trafficking partners, but he does not know if Zavala sold drugs as well. Sanchez recalls that he, Cabezas, Pereira and Zavala frequently got together in San Jose to go dancing, but he does not remember attending any meetings at a San Jose hotel to discuss selling cocaine to raise funds for the Contras. Sanchez denies knowing of anyone trafficking in drugs to earn profits for the Contras, although he concedes that persons such as Cabezas may have used the Contras as a facade or excuse for their unlawful activities.

276. ***Individual Statements: Salomon.*** Doris Salomon, who is Zavala's wife, has been incarcerated in a California prison since her 1994 conviction on drug charges unrelated to The Frogman Case.* Salomon claims she never donated any money to the Contras, but she says that she performed humanitarian work for the Contras while living in Costa Rica. Such work included asking hospitals to donate stocks of medicine that were nearing expiration dates and would otherwise be disposed of. Salomon also claims to have provided

* Salomon says she fled the United States in 1981 following her conviction on drug charges unrelated to The Frogman Case and was living in Costa Rica as a fugitive when Zavala was arrested in February 1983. In October 1984, Salomon was detained by Costa Rican authorities at the request of the U.S. Government and was extradited to the United States in 1985. Following her conviction on the 1981 drug charges, she served a 27-month prison sentence.

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humanitarian support to the Sandinistas in 1979 while living in Baja, California.

277. Regarding her husband, Zavala, Salomon says that she is not aware that he ever donated money to the Contras. Moreover, Salomon claims Zavala "never told me that he donated money to the Contras." Salomon does not believe the quote attributed to Zavala by the *San Francisco Examiner* that he had donated $500,000 to the Contras.

278. Salomon provided a sworn statement affirming:

> That I never had any relationships with the CIA and the Contras, or any selling of drugs for the Contras. I have no personal knowledge of the CIA dealing with drugs for the Contras. I have no personal knowledge of my husband selling drugs for the Contras. I did voluntary work on behalf of the Contras in humanitary [*sic*] way in San Jose Costa Rica that had nothing to do with drugs.

Salomon says she recalls seeing Cabezas and Troilo Sanchez at a San Jose, Costa Rica hotel in 1981. However, she denies having any personal knowledge that either of them provided Zavala with cocaine. Salomon also denies ever discussing drug trafficking with Cabezas or Sanchez.

279. Salomon says that Zavala never told her he had received money from Aviles and she says that she has no knowledge that Zavala ever transported anything to Costa Rica for the Contras. Salomon says she recalls Cabezas boasting--probably in 1981--that he "knew people in the Contras." Thus, she believes it is possible that Cabezas could have had a relationship with the Contras. However, Salomon comments that "Cabezas is a liar to me."

280. As to how Zavala obtained the two letters that linked the cash seized from his home at the time of his arrest to the Contra cause, Salomon recalls that her husband contacted her by telephone or letter from the jail in San Francisco sometime after his arrest. According to Salomon, Zavala asked her to contact a person named

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"Francisco" in San Jose, Costa Rica and advise him of what happened. She says this was Aviles. Salomon does not recall if Zavala told her whether the cash belonged to Aviles personally or to an organization Aviles represented. Salomon claims to have no recollection of what Aviles' reaction was or what he may have said when Salomon informed him that the money had been seized.

281. According to Salomon, Zavala only asked her to inform Aviles about the seizure of the money. She has no recollection of Zavala instructing her to have Aviles write any letters on Zavala's behalf. She assumes that Aviles took it upon himself to write the letters, or wrote the letters based upon a pre-existing arrangement with Zavala. In any event, Salomon says she is aware that Aviles prepared one or more letters for her husband and that the letters were sent to the Federal District Court in San Francisco. She says Aviles may have even shown her a copy of at least one of the letters at some point. Salomon contends she did not pay Aviles for the letters.

282. Salomon says she has never met Vicente Rappaccioli and does not know why Rappaccioli signed his name to one of the two letters on behalf of Zavala. She speculates that Rappaccioli probably did so at Aviles' request.*

283. ***Individual Statements: Aviles.*** Francisco Aviles, a resident of Léon, Nicaragua, denies the March 1986 *San Francisco Examiner* report that he gave Zavala $45,000 to purchase weapons and equipment for the Contras. "I never gave Zavala one cent. We did not have any money to give," Aviles claims. Aviles does, however, admit that he told the *San Francisco Examiner* he gave Zavala $35,000. He says he did this with the intent to try to create some sense of indebtedness by Zavala toward Aviles' Contra political organization.

284. Aviles explains that, while he was living in Costa Rica in late 1981 or early 1982 and associated with the PCNE, he received a

* Vicente Rappaccioli has since died.

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telephone call from Zavala or someone associated with Zavala with an offer of financial help for the Contras. Aviles says he and Rappaccioli attempted to check Zavala out and did not learn anything derogatory. Accordingly, Aviles says he met with Zavala and Rappaccioli in Costa Rica. Aviles says that Zavala claimed he could get contributions for the Contras from Nicaraguans living in the United States. Aviles claims that this meeting was the only time he ever met Zavala personally. Aviles says he provided a letter--signed by Aviles and Rappaccioli--that "authorized Zavala to fund-raise for the Contras."

285. Aviles says he received a call from Doris Salomon about 18 months after his meeting with Zavala and Rappaccioli. Salomon informed Aviles that Zavala had been arrested and was in a U.S. prison because of a "problem with his passport." Salomon, according to Aviles, made no mention that the arrest was on drug-related charges. Aviles recalls being told by Salomon that Zavala needed a letter to establish that the money seized at his home had represented "funds raised for the Contra Movement." Aviles recalls that he prepared such a letter, addressed it either to "the judge" or "to whom it may concern," and sent the letter to either the U.S. Embassy, San Jose or a person at the U.S. Embassy whose name he cannot recall.

286. Aviles says that he only learned later through press reports that the money in question represented drug profits, and not funds donated by other Nicaraguans for the Contra cause. Aviles contends, "We would never have [written the letter requested by Salomon] had we known the money was from drugs."

287. Aviles acknowledges providing at least one additional letter to Zavala. Sometime in 1985, Aviles says he received a telephone call from Zavala, who Aviles only subsequently learned was calling from a U.S. prison. Aviles claims that Zavala continued to claim that his legal problems related to his passport and asked Aviles for a "reference letter" to be used with the Federal District Court to show that Zavala was a member of the Contras. Aviles says he wrote a short letter to this effect that he then sent to Salomon.

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288. Sometime later, though possibly still in 1985, Aviles says he received a check from either the FBI or the Court for about $30,000.* Aviles recalls being concerned at the time that the money might have been derived from Zavala's drug trafficking. He says that by then he believed he was dealing with the "Mafia" or drug cartels and began to be concerned about his safety. He recalls returning the check uncashed to either Doris Salomon or her mother, along with a power of attorney so that they could cash it, as a way of protecting himself.

289. Aviles claims he returned the check "because it was blood money, and we wanted nothing to do with it." Aviles denies that either he or Rappaccioli received any compensation from Zavala for writing the letter that authorized him to raise funds for the Contras. Aviles also denies that he received compensation for the "reference letter" that he sent to Salomon in response to Zavala's telephone call from a U.S. prison, or for returning the check-- uncashed and with a power of attorney--to Doris Salomon or her mother.

290. ***Individual Statements: Others.*** Joseph Russoniello was the United States Attorney for the Northern District of California when The Frogman Case was prosecuted. He recalls no link among Zavala, Cabezas, the seized funds, and the Contras other than the subsequent statements of Zavala and Cabezas. He is also not aware of any information indicating any link between the defendants and CIA.

291. Mark Zanides was the Assistant United States Attorney (AUSA) who prosecuted Zavala in The Frogman Case. He recalls that law enforcement wiretaps that were in place during the months preceding the arrests revealed that Zavala spent most of his time "drunk" and trying to figure out how to pay his drug suppliers. Based on his knowledge of Zavala's activities, Zanides calls it "inconceivable" that Zavala could have donated $500,000 to the

* Although Aviles says it is his recollection that he received the check in 1985, San Francisco U.S. Attorney's Office records indicate the check was probably sent to Aviles in the latter part of 1984.

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Contras as was reported by the *San Francisco Examiner* in 1986. Additionally, Zanides says he was "surprised" to learn that Zavala even had $36,000 in his home at the time of the raid. Nevertheless, Zanides says, "I don't think [Zavala] made much money selling dope, [but] moved a fair amount of it." Zanides does not recall any information from the wiretaps that indicated any connection between Zavala's drug trafficking activity and the Contras.

292. Judd Iversen, the attorney who defended Zavala in The Frogman Case, recalls that Zavala told him at the time that Doris Salomon was a Contra fund raiser. It was through this connection, Iversen believes, that Zavala became involved in Contra activities. Zavala did not impress Iversen as a person who was interested in politics, and Iversen states that Zavala "just went along with the [Contra] fund raising because he liked Doris." Iversen expresses extreme skepticism regarding Zavala's reported statement to the *San Francisco Examiner* that he sent $500,000 to the Contras.

293. The FBI Special Agent who was the lead FBI agent in the investigation relating to The Frogman Case says he has no recollection of any information indicating that Zavala was involved with the Contras. He also states he "never felt, from what [he] could see, that the Contras were involved." Moreover, he says he does not remember any information indicating that Zavala was operating two trafficking organizations, one of which was for the benefit of the Contras.

294. The FBI Special Agent also does not recall any information indicating that Cabezas had any relation to the Contras or that his trafficking in drugs was a means of funding the Contras. He says, "I don't remember Cabezas saying he was selling drugs for the Contras. I wouldn't have believed him." If there was such a connection with the Contras, "that would have been a great defense for them."

295. The FBI Special Agent says he has no recollection that any information relating to the Contras was discovered during the course of the investigation, although he adds that the investigation necessarily would not have confirmed to whom Zavala might have

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sent money derived from his drug trafficking. This FBI Special Agent also says he has no recollection that any information linking the cocaine to the Contras was derived from the U.S. Government wiretaps of Zavala and Cabezas. However, he recalls roughly 10,000 conversations were recorded, and he cannot recall any references on the wiretaps to the Contras. Had there been such a reference, the FBI Special Agent says he believes he would have made note of it. The FBI Special Agent also comments that it is possible that the linguists responsible for translating the recorded conversations may not have considered a comment relating to the Contras to warrant its inclusion into the written summary of the conversation.

296. Another FBI Special Agent who dealt with Cabezas following his conviction in 1984 and his later release from prison in 1992 says that, although Cabezas did tell him in 1987 that he sold cocaine for the Contras, Cabezas provided few details regarding that claim or how much of the proceeds might have been provided to the Contras.

297. With respect to Zavala, this FBI Special Agent states that "Zavala was only in it for the money." Additionally, the FBI Special Agent recalls talking to Zavala and that Zavala "never talked about the Contras."

298. A third FBI Special Agent arrested Zavala during the raid on Zavala's home. He recalls that when $30,000 to $40,000 was discovered in the night stand at Zavala's home, Zavala made no statement or claims as to the ownership of the money. This FBI Special Agent says he has no recollection of Zavala, Cabezas, or any of the other defendants in the case claiming that their drug trafficking activities were for the benefit of the Contras.

299. The FBI Special Agent who arrested Zavala also recalls no information relating to the Contras being derived from any of the wiretaps. As best he recalls, none of the logs that described each taped telephone call, and none of the transcripts or translations of those telephone calls, mentioned the Contras.

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300. Norwin Meneses says he was never part of the Zavala organization although he acknowledges that he knew Zavala and Cabezas. Although individuals implicated in The Frogman Case also admit that they knew Norwin Meneses, no information has been found to indicate that they worked together to traffic in drugs on behalf of the Contras. Zavala says he met Meneses only one or two times. These meetings, says Zavala, did not involve the sale of drugs. According to Zavala, an associate of his may have purchased drugs from Meneses when the associate and Meneses were living in Managua.

301. Salomon says she met Norwin Meneses and his nephews "many years ago." Salomon states that she did not know Meneses well because their political views differed. Salomon says it is her understanding that Meneses was a drug trafficker even before the Sandinista Revolution.

302. Cabezas claims he knows Norwin Meneses and that Meneses was a drug dealer. According to Cabezas, Meneses had no connection to the Zavala organization. Cabezas says he does not believe that Meneses was affiliated with any Contra organization or that Meneses made any donations to the Contras.

303. Troilo Sanchez says he believes Meneses was a drug trafficker for the Contras, but can provide no information to support this belief. He says Meneses used other people and organizations as cover but was only interested in benefiting himself. Sanchez claims he met Meneses through Horacio Pereira. Pereira and Meneses, according to Cabezas, worked together as drug traffickers even as far back as the Somoza regime in the 1970s.

304. **CIA Records.** According to CIA records, Aristides and Fernando Sanchez were active in the Contra movement. No indication has been found that Aristides or Fernando had contact with Cabezas.

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CONCLUSION

305. **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras?** No information has been found to indicate that CIA or individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas, or others who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

306. No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized money from Zavala belonged to the Contras, it appears this was done through Zavala's wife's connections to old family friends and not because Zavala was active in the Contra movement.

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WAS CIA INVOLVED IN THE INVESTIGATION OF THE FROGMAN CASE?

307. As mentioned earlier, a relative of one of those arrested or charged in the 1983 Frogman Case did have a relationship with CIA until mid-1982. That relationship began in the late 1970s based upon the individual's access to information concerning Nicaraguan Sandinista activities. By 1982, the Agency had decided that the asset was not "worth the considerable expenditure of resources involved," and terminated the relationship. No information has been found to indicate the former asset engaged in any activities that were contrary to U.S. law or that interfered with the investigation of The Frogman Case or The Frogman Case arrests that occurred in January and February 1983.

CONCLUSION

308. **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those arrested or charged did have a relationship with CIA until mid-1982.

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TO WHAT EXTENT, AND WHY, DID CIA BECOME INVOLVED IN THE PROSECUTION OF THE FROGMAN CASE? WHAT WAS THE EFFECT OF CIA INVOLVEMENT IN THE PROSECUTION?

309. **CIA Records.** CIA records indicate that the Agency first learned of The Frogman Case on July 30, 1984 when a cable from an LA Division Station informed Headquarters that the local representative of a U.S. law enforcement entity had brought a DoS telegram to its attention. The DoS telegram indicated that an AUSA for the Northern District of California and an FBI Special Agent were requesting permission to travel to San Jose to question two "anti-Sandinistas" in connection with the prosecution of a cocaine trafficking case identified as *U.S. v Zavala*.

310. Although the AUSA and the FBI Special Agent were not identified by name in the LA Division cable, the DoS telegram did identify them. Further the DoS telegram stated that AUSA Zanides and the FBI Special Agent would be attending "court-ordered depositions on Francisco Aviles Saenz and Vincente [*sic*] Rappaccioli Marquis."*

311. Vicente Rappaccioli Marquis, who was proposed to be deposed, is identified in CIA records as having been a member of the board of directors of the PCNE. No information has been found to indicate that CIA ever had any relationship with this individual. However, CIA personnel in the LA Division Station apparently misidentified him as a former Agency asset.

312. In its July 30, 1984 cable informing Headquarters of the planned depositions in San Jose, the LA Division Station identified Francisco Aviles Saenz by name. However, the LA Division Station cable did not provide Headquarters with the name of the second individual. Instead, the Station cable referred to this second individual by a CIA cryptonym that had been assigned in

* Although the DoS telegram spelled the name *Vincente*, CIA records indicate the individual's name is actually *Vicente*.

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1980 to the misidentified former asset. According to the Station cable, the misidentified former asset had also been associated with the Contra movement.

313. The Station also reported that both Francisco Aviles and the misidentified former asset had been members of a Nicaraguan exile group. Although that group is not further discussed in the Station cable, Agency records indicate that the group unwittingly received CIA support.

314. The July 30, 1984 cable from the LA Division Station also asked Headquarters and several other field stations for any additional information that might be available in their files concerning Aviles and the misidentified former asset. The cable also asked for information regarding who Zavala was, the charges against him and whether there was any connection between Zavala, Aviles and the misidentified former asset. In closing, the LA Division Station noted that it was "concerned that this kind of uncoordinated activity [i.e., the AUSA and FBI visit and depositions] could have serious implications for anti-Sandinista activities in Costa Rica and elsewhere."

315. Agency records indicate that Vicente Rappaccioli Marquis--who was to be deposed and with whom the Agency had no relationship--was born on July 15, 1928. The misidentified former Agency asset differed in age from Rappaccioli by more than 10 years. By mid-1981, regular CIA contact with the misidentified former asset had ceased, and all contact appears to have ended sometime in 1982.

316. A Headquarters desk officer assigned to the DO/Central America Task Force (CATF) preliminarily responded to the LA Division Station in an August 1, 1984 cable. The CATF cable cited a 1983 media report that identified Zavala as a 39-year-old illegal alien from South San Francisco named Julio C. Zavala Moreno. The cable also reported that CIA had no information in its records concerning Zavala.

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317. With respect to Aviles, the August 1, 1984 CATF cable stated that CIA records indicated that Aviles, a member of the Nicaraguan Democratic Conservative Party (PCN), had attended an August 1982 conference in Miami in which senior members of the PCN had created a faction of the party in exile--the PCNE. At that conference, according to CIA records, Aviles had been elected to be the secretary of the PCNE's board of directors. The August 1, 1984 cable also stated that the Agency had no information to indicate any connection between Aviles, Zavala and the misidentified former asset. Finally, the cable stated that the Agency was contacting the FBI for information regarding Zavala.

318. CIA records also show that the CATF desk officer sent a brief note and a copy of the July 30, 1983 LA Division Station cable to the Freedom, Privacy and Litigation Group (FPLG) of the DO's Information Management Staff (IMS). At that time, FPLG was the DO's focal point for matters relating to litigation that involved DO information.

319. An August 2, 1984 memorandum from FPLG to the CATF desk officer in CIA records indicated that the Agency's Office of General Counsel (OGC) had been made aware of the case, probably by FPLG, by that date. The memorandum stated that the proposed depositions of Aviles and the misidentified former asset would relate to whether approximately $30,000 that was seized from Zavala at the time of his arrest was acquired through business transactions, rather than cocaine trafficking. Further, the memorandum indicated that FPLG and OGC representatives were planning to meet with "the AUSA" on August 7, 1984, following which "the AUSA" would go to Costa Rica to take the depositions later in August. The FPLG memorandum did not specify the identities of the Agency's representatives or the location of the planned meeting with the AUSA.

320. The August 2, 1984 FPLG memorandum also asked that the CATF desk officer provide a "summary" of the activities of Aviles and the misidentified former asset in preparation for the FPLG and OGC meeting with the AUSA. Finally, the FPLG memorandum

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indicated that, once "the AUSA" provided further details, the Agency could "determine whether our equities will be affected." No information has been found to indicate any CATF response to this memorandum's commentary or request for a summary of the activities of Aviles and the misidentified former asset.

321. On August 3, 1984, Headquarters advised the LA Division Station of what had been learned about the Zavala case. The cable, originated by FPLG, indicated that the depositions that were scheduled for August 16, 1984 in Costa Rica were in response to a motion by Zavala's attorney and are "subject to court order that [the U.S.] Government not interfere or discourage compliance." The genesis for this statement may have been a recently unsealed transcript of a June 12, 1984 *in camera* proceeding relating to a motion by Zavala's attorney under Rule 15 of the Federal Criminal Code and Rules which pertains to depositions. The transcript of that proceeding indicated that the late Robert Peckham, the presiding U.S. District Court Judge, stated at that time, in part:

> Now, there is a serious problem, though, that perhaps we should mention now, and perhaps even address first, and that is, that in the papers Mr. Zavala, through his counsel, indicates that the deponent's identify [*sic*] must remain secret to prevent the CIA from coercing the witnesses and to altering their proffered testimony.

322. The August 3, 1984 Headquarters cable to the LA Division Station also indicated that testimony in the Zavala case would concern the "source of money confiscated in cocaine raid in San Francisco." The Station was advised that--to avoid giving Zavala's defense attorneys a "possible issue"--the Station should make no effort to contact the two individuals who were to be deposed. Further, Headquarters advised the LA Division Station that there was no reason to believe that Zavala's attorneys were aware that the misidentified former asset had any association with CIA. The Headquarters cable also stated, without further explanation, that the depositions "may be avoided if planned legal action is successful." Finally, the Station was informed that FPLG and OGC representatives

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"will meet 7 August with Assistant U.S. Attorney to draft [a] course of action."

323. On August 3, another LA Division Station responded to the request for information about Aviles and informed Headquarters that Aviles was not well regarded. The Station further reported that Aviles had been asked to leave a Contra support group in Costa Rica around August 1983 when questions were raised regarding his handling of the group's funds.

324. The exact date of the FPLG and OGC meeting with the AUSA has not been determined although, as indicated earlier, the meeting was scheduled for August 7, 1984. On August 16, 1984, the U.S. Embassy in San Jose informed the LA Division Station that the planned visit of AUSA Zanides and an FBI Special Agent had been canceled. The Station informed Headquarters of this development on August 17, 1984 and indicated that an Embassy official had said that the visit of the "U.S. Attorney" had been canceled by the "Funny Farm," a term that the LA Division Station took to mean CIA. The LA Division Station went on to say that it had told the Embassy official that CIA had no interest in the case following receipt of the August 1, 1984 cable from the CATF branch. The Station also suggested that Headquarters might "wish [to] ascertain if [the "Funny Farm"] reference was indeed to [CIA] and, if so, correct the misunderstanding." Additionally, Headquarters was asked to inform the LA Division Station of any actions it had taken in regard to the depositions so that "we may reassure the [Embassy official] that [CIA] had no hand in cancellation of trip."

325. On August 14, 1984, a memorandum to FPLG from another IMS entity provided additional information concerning the results of the review of CIA records for any information regarding Zavala. The memorandum stated that there was no indication that Zavala was in the United States illegally or that he had he ever been the subject of any request for CIA records under the Privacy Act or Freedom of Information Act. On September 28, 1984, Chief/FPLG forwarded the memorandum to OGC for information.

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326. On August 24, 1984, Headquarters sent a cable to three LA Division Stations informing them that CIA had indeed been a factor in the decision of the San Francisco United States Attorney's Office to return the money to Zavala and cancel the deposition trip to Costa Rica. This cable stated:

> 1. **Following discreet approach to senior Department of Justice official, [OGC] personally contacted the Chief of Criminal Division and Chief of Drug Task Force in U.S. Attorney's Office in San Francisco** to ascertain details of the subject prosecution and to avoid inquiry into activities or other [CIA] interests.
>
> 2. We were advised that Zavala had been arrested on 13 February 1983 in San Francisco and subsequently indicted on charges of "possession with intent to distribute" and "continuing criminal enterprise (CCE)." At the time of his arrest, a substantial quantity of cocaine was seized in addition to approximately $36,000 in U.S. currency. Although Zavala has pleaded guilty to "possession," he will require the U.S. to go to trial on the CCE charge which carries a minimum sentence of 80 months. Prior to Zavala's arrest, he had been the subject of a wiretap for some four months. During this period he and certain family members had inexplicably traveled to San Jose.
>
> 3. On the day of the [OGC] visit to San Francisco, the U.S. Attorney learned that one Francisco Aviles Saenz had executed an affidavit in San Jose which claimed that the money seized from Zavala belonged to [a Contra support group], that it had been collected from supporters of the party, and that these supporters included certain unnamed but official United States "organs." The copy which we saw, but could not retain pending authorization from the Court, was an official English translation and appeared to be one of many that had been made by defendant or his attorneys.
>
> 4. With a general briefing concerning the background of and relationship between [the misidentified former asset], Aviles and [CIA] interests, it was agreed by all that any litigation concerning the currency seizure would be fruitless. In essence the United States Attorney could never disprove the defendant's allegation that his was [a Contra support group] or [CIA] money, especially in light of the roles which [the misidentified former asset] and Aviles have played in the anti-Sandinista community.

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Accordingly, at [OGC's] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge.

5. It was for this reason that the scheduled depositions in San Jose have been canceled. Notably, [OGC] also learned that both [the misidentified former asset] and Aviles were volunteer witnesses for the defendant and planned to testify at their deposition as to the source of the money in question. We can only guess at what other testimony may have been forthcoming. As matter now stands, [CIA] equities are fully protected, but [OGC] will continue to monitor the prosecution closely so that any further disclosures or allegations by defendant or his confidants can be deflected.

6. While this particular aspect was successfully resolved, the possibility of potential damage to [CIA] interests was not lost on the U.S. Attorney or [Headquarters]. By virtue of [the misidentified former asset's] relationship as former [covert action] asset and member of board of directors of [a Contra organization], Aviles role as director of the [Contra support group] office in San Jose, and their formal claim of drug-tainted money, case could be made that [CIA] funds are being diverted by [CIA] assets into the drug trade. Indeed, close relationship between Zavala, a convicted drug dealer, and [the misidentified former asset] and Aviles could prove most damaging especially if any relationship, no matter how indirect, were to continue. As long as [the misidentified former asset] and Aviles continue to play any role in the anti-Sandinista movement, any public disclosure of the foregoing would have as a certain element the fact that they were "linked to" or "assets of" [CIA].

7. While the United States Attorney was most deferential to our interests, it was strongly suggested that we take every measure possible to ascertain any involvement by [the misidentified former asset] or Aviles in narcotics trade and/or the possibility as to whether [CIA] funds given to [a Contra support group] might arguably have been diverted. No action other than discreet inquiries should be undertaken without [Headquarters] approval and no discussion of U.S. vs. Zavala issue with Aviles or [the misidentified former asset] may take place without U.S. Attorney approval. We would appreciate any information [twoLA Division Stations] can provide to clarify these issues.

8. . . .

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9. . . .
10. . . .

(Emphasis added.)

No further information has been found in CIA files regarding the precise nature of the "discreet approach" to DoJ that was referred to in the first sentence of this cable. It also has not been possible to identify with any degree of certainty the senior DoJ official who reportedly discussed the Zavala case with an OGC attorney. A number of former OGC officials believe that Criminal Division Deputy Assistant Attorney General Mark Richard was the person most likely to have represented DoJ in such a discussion, but he has no recollection of the matter.

327. Information in the OGC file regarding the Zavala case appears to indicate that the majority of the text of the August 24, 1984 cable was originally written by OGC, although the Chief of the CATF branch concerned was indicated as the originator of the cable. The OGC file contains eight documents, including handwritten notes. One of the documents is a draft of the August 24, 1984 cable to the three LA Division Stations. With the exception of minor revisions and the addition of operational information in paragraphs 8, 9 and 10, the text of the cable sent to the three LA Division Stations on August 24, 1984 is the same as that contained in draft form in the OGC file.

328. An August 22, 1984 OGC cover note to FPLG, subject "*United States v. Zavales* [*sic*]" and signed by OGC Assistant General Counsel Lee S. Strickland, stated:

> Please find attached a proposed draft cable for [the LA Division] station concerning the subject prosecution. While paragraphs 6 and 7 are rather strong, I believe the station must be made aware of the potential for disaster. While the allegations might be entirely false, there are sufficient factual details which would cause certain damage to our image and program in Central America.

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329. OGC travel records for the period have been destroyed in accordance with routine U.S. Government records management schedules. A surviving abstract summary of those records is of insufficient detail to establish whether it was in fact Strickland who traveled to San Francisco on behalf of OGC during the relevant time period. Entries in the abstract summary indicate that a number of OGC personnel traveled during the general time period but the name of the traveler, the specific dates of such travel and the destination are, in many cases, not specified. Several entries in the abstract summary list San Francisco as one such destination, but the name of the traveler is not specified.

330. The LA Division Station, in a September 8, 1984 response to the August 24, 1984 Headquarters cable, reported that it had additional information pertaining to the misidentified former asset. According to the report, the misidentified former asset had last been seen about March 1982 in Managua, Nicaragua. Since that contact, the misidentified former asset had reportedly married and was currently living somewhere in a foreign country. According to the report, the misidentified former asset was a "good man."

331. An OGC weekly report regularly prepared by General Counsel Stanley Sporkin for senior CIA officials made reference to the Zavala case. The October 26, 1984 report contained several factual errors, including mischaracterizing Aviles as a CIA asset* and misstating his position with the Contra support group. The relevant portion of the weekly report, which closely approximated the wording of the August 24, 1984 Headquarters cable to the LA Division Station in many respects, stated:

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* No information has been found to indicate that Aviles was ever a CIA asset. Also, contrary to the OGC weekly report, Agency records indicate he was briefly the San Jose, Costa Rica office manager for a Nicaraguan exile organization. Nevertheless, in September 1985, Aviles and others were given CIA-administered polygraphs in Costa Rica as part of security processing for positions on Fernando Chamorro's UNO/FARN general staff. The polygraph included questions regarding counterintelligence issues and personal involvement in arms and narcotics trafficking. In an initial September 6, 1985 polygraph session, Aviles' responses were deemed to be "inconclusive." However, following a September 27, 1985 session, Aviles' responses that he had no involvement in narcotics and arms trafficking, and on matters of counterintelligence interest, were all deemed to be "no deception indicated."

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U.S. v. Zavala: During our quarterly review of Agency litigations, we decided to provide summaries of cases which the Director might find interesting. This is such a case. Several months ago, the [the LA Division] station queried Headquarters concerning a proposed visit by two U.S. Attorneys from San Francisco to interview two individuals who were assets--one [the misidentified former asset] and one the Chairman of the Board of Directors of a [Contra support group] funding mechanism (Francisco Aviles). Following a discreet approach to a senior Department of Justice official, we contacted the Chief of Criminal Division and Chief of Drug Task Force in U.S. Attorney's Office in San Francisco to ascertain details of the subject prosecution.

We were advised that Zavala had been arrested on 13 February 1983 in San Francisco and subsequently indicted on charges of "possession with intent to distribute" and "continuing criminal enterprise" (CCE). At the time of his arrest, a substantial quantity of cocaine was seized in addition to approximately $36,000 in U.S. currency. Although Zavala has pleaded guilty to "possession," he will require the U.S. to go to trial on the CCE charge which carries a minimum sentence of 80 months. Prior to Zavala's arrest, he had been the subject of a wiretap for some four months. During this period, he and certain family members had inexplicably traveled to San Jose.

Contemporary with our visit to San Francisco, the U.S. Attorney learned that Aviles, one of our assets,* had executed an affidavit in San Jose which claimed that the money seized from Zavala belonged to [a] political exile party . . . , that it had been collected from supporters of the party, and that these supporters included certain unnamed but official United States "organ[ization]s." The copy which we saw was an official English translation and appeared to be one of many that had been made by defendant or his attorneys.

This matter raises obvious questions concerning the people we are supporting in Central America and we are continuing our inquiry into this matter internally in conjunction with all concerned components.

332. Then-Counsel to the DO Ernest Mayerfeld forwarded the OGC weekly report to the Deputy Director for Operations with a

* As noted in the previous footnote, Aviles was not a CIA asset.

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brief memorandum on October 30, 1984. Mayerfeld's memorandum suggested the Zavala case was not as serious as portrayed in OGC's weekly report:

> This is an item taken from weekly news sheet put out by Stan Sporkin. This one covers last week's events. I don't know whether you had heard about this case - I had not. I talked to the lawyer that is handling this case, who tells me that the graymail aspects of this case are quite routine and he has every reason to believe that he can avoid, with the excellent cooperation of the San Francisco prosecutor, any public disclosure of our involvement. I do not think this is a big flap and ought not to be made into one. On the basis of what I know so far, I feel the final paragraph of the attached [weekly report] overstates things.

333. On November 2, 1984, Headquarters sent a cable to two LA Division Stations asking for information regarding Aviles and his role in Contra support groups. The Stations both responded on November 5, and one of them suggested that Headquarters contact a CIA officer who had formerly been assigned to that Station and might possess relevant background information. On November 7, 1984, Headquarters sent a cable to that officer explaining that certain information was needed by Headquarters "to prepare a report regarding the involvement of . . . Francisco Aviles in *U.S. v. Zavala* case now in litigation in San Francisco." In a November 8 response to Headquarters, the CIA officer said he had no information to offer.

334. **U.S. District Court/U.S. Attorney's Office Records.** During the prosecution of Zavala, the defense attorneys filed a motion in June 1984 to place under seal the Aviles and Rappaccioli letters and other related documents that claimed that the money seized from Zavala's home belonged to the Contras. The motion was granted by the Court. On August 8, 1984, the U.S. Attorney's Office's motion to remove the documents from under seal was granted by the Court. However, the next day, the Court vacated the unsealing order. AUSA Zanides recalls that, upon learning of the contents of

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the letters when they were unsealed, the U.S. Attorney immediately moved to re-seal the materials pending a further review. This was done because the U.S. Attorney did not know whether the persons named in the letters were assets of CIA.

335. The documents that had been sealed have now been removed from seal by the U.S. District Court for the Northern District of California after CIA and DoJ asked the U.S. Attorney's Office to file a motion requesting that this be done. The documents that were formerly under seal include:

- Document number 639--a *Supplemental Declaration of Judd C. Iversen in Support of Deposition* that was filed with the Court on June 18, 1984;

- Document number 730--a transcript of a June 12, 1984 *in camera* proceeding involving arguments by the defense and the prosecution relating to the Rule 15 motion;

- Document number 745--a *Declaration of Judd C. Iversen in Support of Motion for Order Granting Leave to Take Deposition* dated June 4, 1984 and filed with the Court on August 28, 1984. This document included as attachments:

  a) An unsigned receipt for $45,000 in Spanish on PCNE letterhead that is dated January 24, 1983 and with an English translation of the Spanish text typed above the PCNE letterhead.. A forensic analysis requested by CIA/OIG from DoJ's INS Forensic Document Laboratory indicates that the receipt is a composite document, i.e., it is a photocopy of two documents butted together;

  b) A photocopied document--in Spanish--titled TESORERIA ("Treasury"), signed by Vicente Rappaccioli, on PCNE letterhead. In the document, Zavala is identified as having been named

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"ASISTENTE DE ESTA TESORERIA GENERAL DEL PARTIDO CONSERVADOR, AUTHORIZADO PARA COLECTAR DENTRO DE LOS ESTADOS UNIDOS DINERO PARA LA LIBERACION DE NICARAGUA DEL COMUNISMO INTERNACIONAL." *("Assistant to the General Treasury of the Conservative Party, authorized to collect within the United States money for the liberalization [sic] of Nicaragua from international communism.");*

c) An unsigned photocopy of an English translation of document (b) but with different type face and on plain bond paper;

d) A photocopied document--in Spanish--addressed A QUIEN CONCIERNE ("To Whom It May Concern") on PCNE letterhead. The document is signed by Aviles as the "SECRETARIO POLITICO" ("Political Secretary") and by Rappaccioli as the "TESORERO" ("Treasurer"). Following a brief description of the PCNE's goals and objectives, the document continues that Zavala: ". . . . ES MIEMBRO DEL PARTIDO CONSERVADOR COMO ASISTENTE DE TESORERIA Y SE ENCUENTRA EN LOS ESTADOS UNIDOS DE NORTE AMERICA PROMOVIENDO LA REINSTAURACION DE LA DEMOCRACIA EN NICARAGUA, PARA DICHA MISION LE FUE ENTREGADA LA CANTIDAD DE CUARENTA Y CINCO MIL DOLARES EN EFECTIVO, EN LA ULTIMA SEMANA DE ENERO DE MIL NOVECIENTOS OCHENTA Y TRES EN SAN JOSE, COSTA RICA. LA RETENCION DE ESTE DINERO PERJUDICANDO EL PROCESO DE LIBERACION, CON SUS CONSECUENCIAS NATURALES. *(". . . is a member of the Conservative Party as assistant treasurer and is located in the United States of America promoting the reinstatement of democracy in Nicaragua, for which mission he received forty five thousand dollars in cash, on the last*

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week of January, 1983 in San Jose, Costa Rica. The retention of this money is prejudicing the progress of liberation, with natural consequences.")
ROGAMOSLE MUY ENGARECIDAMENTE A LAS AUTORIDADES CORRESPONDIENTES DEVOLVERNOS DICHO DINERO." (*"We dearly implore that the corresponding authorities return said money.");*

e) An unsigned photocopy of an English translation of document (d) on plain bond paper;

f) Several photocopies of newspaper clippings. One of the clippings was of a front page article from the July 14, 1983 edition of the *San Francisco Examiner* titled "CIA Buildup in Nicaragua." The other article was from an unidentified Spanish-language newspaper pertaining to The Frogman Case and was titled "Somocistas en Trafico de Drogas." (*"[Counterrevolutionary] Drug Trafficking*");

- Document 684--a notarized letter in Spanish, signed by Aviles, on UDN letterhead. It appears to be an original and is dated May 15, 1984. In addition, it has attached to it a separate English language "official translation" notarized on May 29, 1984 by an officer of the U. S. Embassy in San Jose. Following a brief introductory paragraph regarding the goals and objectives of the UDN, the letter--and its "official translation"--includes the following statements by Aviles:

a) "Qué el señor Julio Cesar Zavala Moreno es miembro de esta organización desde hace varios anos." (*"That Mrs. Julio Cesar Zavala Moreno* [*sic*] *is a member of this organization since several years ago.")*

b) "Antes de la última semana de enero de 1983 hizo varios viajes a Costa Rica trabajando para ésta

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organización." (*"That before the last week of January, 1983 he made several trips to Costa Rica, working for this organization."*)

c) "En su último viaje se le entrego la suma de cuarenta y cinco mil dólares en efectivo para compras propias de nuestra actividad." (*"That on his last trip the amount of forty-five thousand dollars in cash was given to him for purchases characteristic to this organization."*)

d) "Dicho dinero fué recaudado entre nuestros coloboradores aquí en Costa Rica." (*"That said money was collected amongst our collaborators, here in Costa Rica."*)

e) "El Organismo del Gobierno Americano, varias veces nos ha prestado ayuda para la lucha anticomunista que se realiza en Nicaragua." (*"That the American Government Organism* [*sic*] *has assisted us many times in the anticommunist fight which is taken* [*sic*] *place in Nicaragua."*)

f) "La retención de dicho dinero esta perjudicandonos el proceso de liberación que ya estamos en la etapa final." (*"That the retention of said money is damaging the freeding* [*sic*] *process which is in its last stage."*)

"El suscrito firmante esta dispuesto de ofrecer testimonio de lo anteriormente relacionado ante la Embajada Americana en San José, Costa Rica, si fuese necesario." (*"That the undersigned is willing to offer evidence with regard to what has been stated above before the American Embassy in San Jose, Costa Rica, if necessary."*)

Other documents relating to the Rule 15 motion found in U.S. Attorney's Office records may have been subject to the original sealing order. However, the documents described above are the

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totality of documents that the U.S. District Clerk's Office identified as removed from seal by virtue of the August 6, 1997 U.S. District Court order.

336. A September 25, 1984 memorandum from OGC Attorney Strickland to FPLG indicated that the U.S. Attorney's Office consulted with CIA on September 24 regarding the sealing of documents relating to the letters. In discussing a declaration in which defense attorney Iversen alleged, among other things, "that the CIA has engaged in the cocaine trade," the Strickland memorandum stated:

> The U.S. Attorney, as he did in the previous instances, asked if there was any reason to seal this declaration. For the same reasons as with the Avilies [*sic*] affidavit, I indicated there were none but that I would check with the Directorate of Operations.
>
> Please advise me by telephone if you agree with our assessment.

No information has been found to indicate that FPLG responded--by telephone or otherwise--to Strickland's memorandum.

337. The declaration that Strickland referred to in his September 25, 1984 memorandum may be document number 745--*Declaration of Judd C. Iversen in Support of Motion for Order Granting Leave to Take Deposition*. That declaration by defense attorney Iversen stated, in part:

> . . . .
>
> 14. Based on the information I have received, I am informed and believe that agents of the United States government were intricately involved in the alleged conspiracy and either sanctioned the use of cocaine trafficking to raise funds for contra revolutionary activity and/or entrapped Defendant into participating under the belief that such activity was sanctioned.
>
> 15. I am informed and believe that the depositions of the Secretary and Treasurer of the Conservative Party of Nicaraguans (Francisco Avilessanez [*sic*], Esq. and Vicente Rappaccioli Marquis) are necessary testimony to present the defense of entrapment

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and/or outrageous Government conduct on behalf of Defendant Zavala.

16. I am informed and believe that the CIA engaged in drug trafficking during the Viet Nam War [*sic*] as a means to fund covert operations.

. . . .

338. The Zavala case files in the U.S. Attorney's Office include an August 6, 1984 memorandum concerning an August 3 telephone conversation between AUSA Zanides and Marvin Cahn, one of Zavala's two defense attorneys. This conversation occurred at least four days prior to any visit by OGC attorney Strickland with Zanides. The memorandum indicated that the seized money and proposed depositions in Costa Rica were among several matters that were discussed. It noted that Zanides told Cahn that "Washington was having fits with the money situation with regard to the trip to Costa Rica."

339. According to the memorandum, Zanides asked Cahn "what it was that [the Zavala defense attorneys] really wanted from the depositions and if an explanation of the source of the money" was the main issue. Cahn was noted to have said that the money was the major issue, and Zanides wrote that he then asked "Would it be necessary to go to Costa Rica if I decided to forget the money." According to Zanides' memorandum, Cahn "thought that would be okay, but he would have to talk to Judd Iversen and get back to [Zanides]."

340. The Zavala case files in the U.S. Attorney's Office also contain an August 27, 1984 memorandum concerning an August 20 telephone conversation between Zanides and OGC attorney Strickland regarding information in CIA files pertaining to Zavala.* In regard to this information, this memorandum noted that:

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* The U.S. Attorney's Office files regarding the Zavala case also contain two handwritten notes that refer specifically to OGC attorney Strickland. The first note includes the words "Lee S. Strickland," "Asst. Gen. Counsel," "CIA," "Federal Express," a CIA office address in Northern Virginia and two telephone numbers--one telephone number denoted as "O" and the other

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> On August 20, 1984, I returned the call of Strickland . . . .
>
> In sum, Strickland advised that all traces with respect to Julio Zavala had come back totally negative. Strickland advised that he had not merely requested the so-called 201 trace, but a trace for any information whatsoever. It was all negative.
>
> He asked whether or not he could get a copy of the documents currently under seal, and I told him the Court would have to remove the seal before we could obtain any copies.

341. Subsequently, the U.S. Attorney's Office and Zavala's attorneys agreed in an October 1984 "Stipulation Regarding Disposition of Funds" that:

- The U.S. would not introduce the "sum of $36,800" it seized from Zavala's home as evidence; and
- A cashier's check for $36,800 would be made payable to Zavala and Aviles "and presented to Julio Zavala through his undersigned counsel in San Francisco."

Relevant U.S. District Court records indicate that the Stipulation was signed by Zavala's defense attorneys Judd Iversen and Marvin Cahn on October 1, by AUSA Mark Zanides on October 2, and by Zavala on October 4, 1984.

342. Records of the U.S. Attorney's Office indicate that a cashier's check for $36,800, dated September 27, 1984 and identifying Aviles and Zavala as the payees, was hand delivered to defense attorney Iversen in early October 1984. Records of the U.S. Attorney's Office also indicate that AUSA Zanides signed for the check from the FBI on September 27, 1984. A letter transmitting the

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telephone number as "H." Strickland says that he recognizes the handwriting on the note to be his own and also says it is his recollection that the "O" and "H" telephone numbers were his office and home telephone numbers at one time. The second note contains the name "Strickland" along with a San Francisco address. CIA records indicate this address was that of a now-closed CIA office in the San Francisco area.

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check from Zanides to defense attorney Iversen is dated October 2, 1984.

343. The cashier's check was for a total of $36,800, not the $36,020 amount that was reportedly seized from Zavala at the time of his arrest. Although the reason for the discrepancy is unclear, one possible explanation is that the additional $780 represents interest accrued while the money was in the possession of the U.S. Government.*

344. ***Individual Statements: Aviles.*** Aviles initially questioned whether the letters he had provided the Court and that had been placed under seal in 1984 had been altered. Aviles examined a photocopy of the May 15, 1984 letter he had sent and questioned whether various paragraphs had been "cut and pasted." Subsequently, Aviles conceded that his earlier statements were not correct and that the letter appeared to be genuine. A forensic analysis of the original letter conducted by the DoJ's INS Forensic Document Laboratory at the request of CIA/OIG found no apparent evidence of tampering.

345. ***Individual Statements: Zavala.*** Zavala recalls that, after the Aviles and Rappaccioli letters arrived from Costa Rica claiming that the money belonged to the Contras, defense attorney Iversen wanted to go to Costa Rica and get depositions from Aviles and Rappaccioli. Zavala also recalls that AUSA Zanides made clear that he did not want to go to Costa Rica to take the depositions, but did not explain why. In any event, Zavala says that Zanides approached Zavala or Iversen with an offer to forego introducing the seized money into evidence if the defense request for the depositions was dropped. Zavala says the money was not his to begin with and that he insisted the money be returned to its rightful owner. Zanides agreed to return the money several days later, according to Zavala.

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* One document found in the United States Attorney's office files relating to the Zavala case, a proposed *Stipulation of Fact Between the United States and Defendant Julio Zavala,* indicates that the total amount of money that was seized at the time of Zavala's arrest was $36,620, not $36,020.

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346. Zavala recalls that two checks were actually issued. The first was made out to both him and Aviles and was given to defense attorney Iversen by Zanides. Iversen then reportedly turned the check over to Zavala's mother-in-law who had been given limited power of attorney by both Zavala and Aviles. Zavala's mother-in-law's name is the same as that of her daughter, Doris Salomon. Zavala says that his mother-in-law told him that, when she tried to cash the check, the FBI was notified and--apparently believing that Zavala's fugitive wife Salomon was attempting to cash the check--raced to the bank, confiscated the cashier's check and temporarily detained his mother-in-law.

347. Zavala says he became quite angry at what he perceived to be the U.S. Government's reneging on the agreement to return the money. Zavala says he was also angry that Aviles was made a co-payee on the check. Zavala argues that, since the money was seized from him, the check should have been made out to him exclusively. Zavala claims that, following further negotiations between his attorneys and the U.S. Attorney's Office, a second check was made out to him exclusively. It was cashed at a local savings and loan by his mother-in-law, using the limited power of attorney she had received from Zavala. Zavala recalls that some of the money was returned to Aviles by Zavala's mother-in-law, but does not know the exact amount Aviles received.

348. ***Individual Statements: U.S. Attorney's Office Personnel.*** Joseph Russoniello, the former U.S. Attorney in San Francisco during whose tenure The Frogman Case was prosecuted, says that he was not much involved in The Frogman Case and does not recall many details. Russoniello says that he has no recollection of ever discussing the case with a CIA representative and has no knowledge of anyone in his office being contacted by CIA concerning the Zavala case. Regarding the proposed depositions in Costa Rica, Russoniello recalls that, when he heard that the amount of money in dispute was about $36,000, his "first and last reaction" was that it would cost a great deal to take the depositions and that "it wasn't worth it."

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349. In a March 19, 1986 letter that he wrote in response to the March 16, 1986 article in the *San Francisco Examiner*, Russoniello took issue with the newspaper's inference that Zavala and other defendants in The Frogman Case may have been given preferential treatment by his office because of their association with the Contras. The text of Russoniello's letter is as follows:

> Gentlemen:
>
> I was at first surprised and then mildly amused as I read your Sunday, March 16, front page story "linking" a Bay Area cocaine ring with the Nicaraguan contras. My amusement turned to outrage, however, when I reflected on what the story said or intimated about the role the U.S. Attorney's office played in this drama.
>
> The story gave the clear impression to those who read it, including at least three Congresspersons whose views you reported as front page "news" the following day, that Julio Zavala had been given preferential treatment by the U.S. Attorney's office because of his association with the contras and that we had covered up the proof of this treatment and the truth of the matter of his contra connection. Both impressions are wrong and you were outfitted with enough of the facts to dispel this impression but did not print them, for whatever reason . . . . the least of which must have been space constraints since you did find room to print a five column photograph taken perhaps as long as 24 hours after the pre-dawn arrests and seizures of January 17, 1983.
>
> Zavala was not given special treatment, unless you consider "special treatment" to be our best efforts to get him sentenced to fifteen years in prison rather than the ten years the Court imposed. He pleaded guilty to one Conspiracy and one Possession with Intent to Distribute Cocaine count which left the charge of conducting a Continuing Criminal Enterprise carrying a minimum of ten years and life top [*sic*] sentence unresolved. Despite pressure from the Court to dismiss the charge (a page from the Court transcript is enclosed for your perusal) we insisted and got a trial at which Zavala had the right to present whatever evidence he chose in mitigation or explanation of his conduct. He was convicted. We recommended fifteen years. As is its prerogative in the federal system, the Court sentenced him to serve a mandatory minimum ten years. **Zavala offered no evidence of U.S.**

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Government complicity or CIA sponsorship at trial and no evidence of humanitarian purpose or patriotic overzealousness at sentencing.

We did no favors for Zavala's then-girlfriend, now his wife, Doris Salomon. Whatever may have been her past political interests, she was convicted on drug trafficking in 1981 and fled from the United States. We did not oblige her efforts to hide in Costa Rica but extradited her to San Francisco where she was sentenced to three years in prison on March 5, 1985. We had recommended a substantial prison term because of her "lack of contrition and continuing deceitful conduct."

We did return $36,020 to Zavala. It had nothing to do with any claim that the funds came from the contras or belonged to the contras. It had to do with the fact that it would have cost the taxpayers who were expected by the Court to pay for all travel by all counsel at least that much to fund the excursion to Costa Rica to take the necessary depositions for the problematical result we might be permitted to keep the seized funds. It made no economic sense to me to do this. No "higher ups" were involved, as Congresswoman Boxer wrongfully surmises. The U.S. Attorney had the authority then to compromise claims up to a $100,000 ceiling and I exercised that authority. The authority has since been increased to $200,000. While $36,000 may seem like a significant sum and people might disagree with our decision to return it, against the background that the cocaine seized had a value of $100 million and that we have millions of dollars in property and currency subject to forfeiture in this district at any given time ($20 million at present) and that little was to be gained from expending valuable agent and attorney time in further quest of what were by comparison "nickels and dimes," the decision was reasonable, justifiable and I make no apology for having made it.

Regarding the alleged coverup, it must be borne in mind that most of the information concerning the Court-approved wiretaps, the Cabezas trial testimony and the like is in the public record of the Court and has been for at least one year. Only the declarations of certain persons who made claim to the money were sealed at the government's request and then, not because of the truth of what was stated but because the mere allegations, true or not, related to national security as that term is defined by the

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Classified Information Procedures Act. We were duty bound, not by fiat but by an Act of Congress, to protect that information from unauthorized disclosure and we did. There is no more to it.

As to the contention that defendants Zavala and Cabejas' [*sic*] drug dealings were tied to the contras and inspired or supported, perhaps by the CIA, while the accusation is scintillating, I remind you that there is absolutely no evidence of CIA involvement and there is absolutely no evidence to warrant the insinuation the defendants were connected to the contras except that their own statements they offered after the fact of arrest and in a futile attempt to explain away their own conduct claim so. Such alibiing is not uncommon among the criminally accused and its validity is usually suspect for that reason. Even if some inference could have been drawn from their own statement that might have otherwise raised a suspicion of "contra" connection, going to print eighteen months after the events reported (the declarations were unsealed August 8, 1984) but coincident with the President's well publicized speech to the Nation in which he sought support for aid to the contras removed any doubt but that this story was one of the most blatant attempts at contrived news-making we have witnessed in recent years.

We examined 11,000 intercepted telephone calls covering the period August 22, 1982 to February 26, 1983 and have reviewed them again to be certain of the facts. There is no reference to any contra activity; no known contra leaders are identified by name or by inference. Given that wiretaps disclosed the most intimate details of drug trafficking, one would have expected some reference to the contras . . . . there was none.

What is really shameful about this story, though, is that it has taken the hint of scandal to arouse certain members of Congress to the issue of drug trafficking and its impact on the Bay Area. Were it not for the opportunity your story provided we might never have heard them speak out on the subject at all. I hope they'll be as quick to apologize when they have all the facts as they were to condemn when they had read only a part of the full story.

Moreover, lost in the shuffle is the fact that literally dozens of federal agents from several agencies worked together tirelessly

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> to develop and successfully prosecute the cases that led to the conviction of thirty-two members of a sophisticated, well-established international drug smuggling ring. It does a disservice to them to permit the hint of scandal to linger
>
> . . . .
>
> Very truly yours,
> /S/
> JOSEPH P. RUSSONIELLO
> United States Attorney

(Emphasis added.)

350. AUSA Zanides says he was assigned as lead attorney in the Zavala case on the day the arrest warrant regarding Zavala was executed. This was probably, he recalls, on or about February 15, 1983. Zanides recalls that Zavala's indictment did not identify any specific amount of cash to be forfeited because it was not known with any certainty at the time of the indictment that Zavala had large amounts of cash in his residence. According to Zanides, any cash seized was forfeitable if it constituted proceeds from criminal activity.

351. Although the August 24, 1984 cable from Headquarters to the three LA Division Stations indicated that OGC initiated contact with the United States Attorney's Office, Zanides recalls that it was he who first "reached out" to advise CIA of the Zavala matter and to determine what information CIA could provide. CIA, according to Zanides, reported back to him that it had found no information in its files pertaining to Zavala. In any event, Zanides says he received a visit from a CIA attorney to discuss the Zavala case. Zanides says he does not recall the name of the CIA attorney who visited him at the time. After examining eight photographs, Zanides selected a photograph of Lee Strickland as closely resembling the CIA attorney with whom he met. Zanides says he is not sure of the timing of the visit, but estimates that it was the summer of 1984.

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352. Zanides says that he and the CIA attorney engaged in an "opaque conversation" and that the CIA attorney provided little or no explanation regarding what the CIA's interests were in the case. Nevertheless, Zanides recalls the CIA attorney stressing to him that the CIA would be "immensely grateful if these depositions did not go forward." He says he cannot recall whether the CIA attorney told him that CIA had any connection with the two individuals who were to be deposed, but he "did not infer they were CIA assets." Zanides recalls, however, that the CIA attorney was "very concerned about the public identification" of the individuals who were to be deposed.

353. Zanides' recollection of the meeting is that the CIA attorney was only interested in the persons who were to be deposed and that the CIA attorney did not indicate to him that there was any CIA interest in Zavala or the seized money. Zanides also says that CIA "never asked for special favor [in the case], no one from CIA asked me to give the money back to Zavala in so many words."

354. Zanides says he recalls making handwritten notes at the time of his meeting with the CIA attorney. However, no such notes could be located in the files of the U.S. Attorney's Office. Zanides is also confident that he advised James Lassart, then-Chief of the Organized Crime Drug Enforcement Task Force in the U.S. Attorney's Office in San Francisco, and possibly even Russoniello, of the meeting with the CIA lawyer.

355. Zanides states that "we did not need the money [as evidence] for the case." Zanides is adamant that the money would have been introduced as evidence and not given back to Zavala had there been any question regarding the need to use the money in the case against Zavala. As Zanides recalls, the seized money did not become an issue until June 1984, long after Zavala's arrest, when defense attorney Judd Iversen unexpectedly submitted a Rule 15 motion to the court.

356. Zanides says he has no recollection of being directly involved in the preparations to go to Costa Rica to take the depositions, although he does recall that he may have had concerns

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regarding where the depositions were to be conducted. Zanides says his preference was to use the U.S. Embassy in San Jose. In any event, Zanides is confident that Russoniello made the decision to return the money to Zavala, thus negating the need to take any depositions in Costa Rica.

357. Zanides recalls that Russoniello believed that the trip to Costa Rica was too expensive. In explaining why the trip would have been so expensive, Zanides says that the traveling party had expanded to include himself, an FBI Special Agent, a court reporter, Zavala's two defense attorneys, and possibly a translator. Zanides says he was not disappointed that the trip was canceled since it would have entailed another week of trial preparation. In any event, Zanides says that the trip to Costa Rica "was never on as far as I was concerned."

358. Zanides recalls believing at the time that Zavala's defense attorneys wanted to accompany the prosecuting attorneys to Costa Rica so they could use the opportunity to try to impeach a confidential informant. As recalled by Zanides, defense attorney Iversen wanted the Zavala defense team to go to Costa Rica "so they could mess with" this confidential informant.

359. James Lassart, then-Chief of the Organized Crime Drug Enforcement Task Force in the San Francisco United States Attorney's Office, recalls some sort of civil action involving the forfeiture of the seized money in the Zavala case and that the government faced a choice between chasing witnesses in Central America or giving the money back. Lassart says a decision of that nature would have been made--if not by Russoniello personally--at least with direct participation of Russoniello. He recalls that Russoniello made the decision--based on cost effectiveness--not to take the depositions in Costa Rica. Thus, the matter was "resolved." Lassart says he does not recall why the depositions were needed in the first place. Lassart says, "It would have had to be the idea of the defense attorney. We would have had to be driven down there kicking and screaming."

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360. John Gibbons, then-Chief of the Criminal Division for the San Francisco United States Attorney's Office, is identified by name in notes found in OGC's Zavala case file. However, Gibbons says he does not recall discussing the Zavala case with a CIA attorney, and he is not able to offer any insights into the trip to Costa Rica or the return of the seized money to Zavala.

361. ***Individual Statements: CIA Personnel.*** The now-retired FPLG representative says that she has no specific recollection of the events relating to the Zavala case. The CATF desk officer says he also has no recollection of his interactions with the FPLG representative or of the August 1, 1984 cable to an LA Division Station that identified him as the originator and stated that the Agency had no information relating to Zavala. The CATF desk officer says his responsibilities included file searches, preparing cables and other correspondence. He recalls that inquiries to the FBI were invariably via cable, and not in person.

362. Former OGC attorney Strickland says he has no recollection of the Zavala case. He recalls traveling to San Francisco on behalf of CIA on several occasions, but does not recall whether these trips were related to the Zavala prosecution. After reviewing relevant documents, Strickland says he has no doubt that he did go to San Francisco to meet with representatives of the U.S. Attorney's Office in connection with the Zavala case.

363. Strickland says he has no recollection of the circumstances under which he became involved, but observes that the small number of documents in the OGC file regarding the Zavala case suggests that the case was "not a big deal" at the time. The Zavala case file is marked with the handwritten notation "closed-confirmed by [telephone conversation] with AUSA-LSS 1-5-86." Strickland recognizes the handwriting and the "LSS" initials as his own and speculates he probably contacted AUSA Zanides to determine the final resolution of the case. Strickland says the meeting referred to in the August 24, 1984 Headquarters cable between OGC and the chiefs of the Criminal Division and Drug Task Force indicates to him that

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CIA had "gone in at the top" in its contacts with the San Francisco U.S. Attorney's Office regarding the case.

364. Strickland says his duties in OGC were in the Litigation Division and focused primarily on civil cases. A criminal case such as the Zavala prosecution that possibly involved CIA assets or operations would more typically have been handled by OGC's Operational Support Division, or possibly by the OGC Counsel for the DO. Strickland says that he recalls working on about a half dozen criminal cases at most while he was in OGC. To place this number in perspective, Strickland says that he carried a case load that could have been as high as 200 cases at any particular time. Strickland's 1984 Performance Appraisal Report (PAR) notes that the majority of his work was on matters unrelated to criminal prosecutions and says that Strickland "carries one of the heaviest workloads in the Office."

365. Strickland states that the sentence in the August 24, 1984 Headquarters cable to the three LA Division Stations that pertains to the return of the money to Zavala--i.e., "Accordingly, at [OGC] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge"--may have been "inartfully worded," i.e., it gives too much credit to OGC's influence on the decision. Strickland observes that there may have been a fear at the time that, if the money were not returned, Aviles might have instituted some type of judicial action in an effort to have the money returned on behalf of the Contras. The publicity resulting from such an action would have been of concern to CIA.

366. Strickland speculates that it is possible that AUSA Zanides or others at the U.S. Attorney's Office were not pursuing the money aspect of the case for their own reasons, and that Strickland--in response to that information--may have suggested that the money be given back to Zavala. This would have eliminated the need to take the depositions in Costa Rica, and prevented any further attention to the matter by the Zavala defense. Strickland notes that, if the money were not to be used to support criminal charges and were not to be

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subject to a civil forfeiture proceeding, the remaining option was to return it.

367. In this context, Strickland suggests that his presentation to AUSA Zanides when he traveled to San Francisco may not have been a "hard sell." Strickland makes clear that he would no doubt remember if the United States Attorney's Office had opposed the idea of returning the money and engaged in a "knock down and drag out fight" over the matter.

368. Former CIA General Counsel and current U.S. Federal District Court Judge Stanley Sporkin says he has no recollection of The Frogman Case. Sporkin says that the relevant CIA records suggest to him that the Agency clearly did not want this information on the front page of the newspapers.

369. Sporkin notes that OGC representatives kept him and other Agency officials properly advised as is evidenced by OGC's weekly report for the period ending October 26, 1984, a report that Sporkin personally signed. Sporkin adds that "we clearly were not trying to help [Zavala] keep drug money." In explaining the purpose for discussing the Zavala case in OGC's weekly report to senior CIA managers, Sporkin says, "I did what a lawyer is required to do, send [relevant material] to the client."

370. Although Sporkin has no current recollection of the Zavala case, he says:

> Maybe we should have found out more whether [*sic*] or not the money was drug proceeds, but the U.S. Attorney would not want any other agency to be involved in investigating a case he was prosecuting.

In any event, Sporkin adds, "Under my regime [as General Counsel], it was my policy not to succumb to graymail and a person who violated the law would be vigorously prosecuted as the law required."

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371. Former Deputy General Counsel Edward Dietel comments that the Zavala case "wasn't explosive except for the money part." Dietel says that there would have been no violation of any OGC procedure at that time if Sporkin was kept informed of the case by the responsible lawyer. In any event, "a request like that would have had to have had [Sporkin's] blessing."

372. Dietel recalls that OGC had a "lot of dealings" with the United States Attorney's Office in San Francisco in the 1980s relating to a "steady flow" of cases. These cases typically were handled by a small group of about ten OGC attorneys. He does not recall whether Strickland was a member of this small group. Moreover, Dietel says there were regular case review meetings in which General Counsel Sporkin would meet with a representative of each OGC division to review each case. There were also oral briefings of Sporkin on an ad hoc basis, as well as memoranda and other means by which Sporkin was kept informed of significant events. How each case was documented in OGC records, however, was not always consistent since "we had more work than time to do it."

373. George Clarke, then-Chief of OGC's Litigation Division and Strickland's immediate supervisor, says he has no recollection of The Frogman Case although "it has a vague ring to it." He recalls that OGC's Operational Support Division typically handled criminal cases, but that the Operational Support Division would use Litigation Division attorneys to assist it as necessary. The OGC files pertaining to the Zavala case do not indicate whether Operational Support Division asked for Litigation Division assistance with respect to the Zavala case. Clarke notes, however, that a copy of the August 3, 1984 Headquarters cable appears to have been routed to the then-Chief of the Operational Support Division, Litigation Division attorneys sometimes handled some cases under the supervision of the Chief of the Operational Support Division and that over time Clarke worked to end this practice and have all litigation handled by the Litigation Division. The former Chief of Operational Support--who no longer works for CIA--says he has no specific recollection of this case nor does he recall any case in which he asked Lee Strickland to represent CIA as the case attorney.

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374. Then-Deputy Chief of OGC's Litigation Division Page Moffett says he has no recollection of The Frogman Case. He says, "We would not have just called up the AUSA and dealt with him; for a variety of reasons, we would have contacted [the Department of Justice] first." Moffett believes the sentence in the August 24, 1984 Headquarters cable to the three LA Division Stations that pertains to the return of the money to Zavala--i.e., "Accordingly, at [OGC] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge"--might have been hyperbole. Moffett adds, "We never asked [an AUSA] to drop a prosecution," and "We tried not to intrude in a prosecutor's decision." Additionally, "If [John] Gibbons [Chief of the Criminal Division at the San Francisco U.S. Attorney's Office] thought it was not appropriate, then he would not have returned the money."

375. ***Individual Statements: Zavala's Defense Attorneys.*** Judd Iversen, one of Zavala's two defense attorneys, says that Russoniello described the money that was refunded to Zavala as "chump change." Iversen agrees that, in terms of the expense necessary to obtain the depositions in San Jose, the prosecution's decision to return the money was a "practical move." Iversen adds that it would have been evident to him if there were other motivating factors that influenced the decision to return the money. His sense is that Lassart is a man of integrity and that "if the CIA was involved, the prosecution would not have handled the case as they did." Iversen further observes that it "probably made no sense from the U.S. Attorney's perspective" to travel all the way to Costa Rica for the depositions.

376. Iversen says the cost of travel by members of the defense team to Costa Rica would have been paid from funds provided by the Criminal Justice Act. The funds for the expenses of such travel by U.S. Attorney's Office representatives, on the other hand, would have come from the U.S. Attorney's budget.

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377. Iversen says he remembers it was a "nightmare" to cash the check that returned Zavala's money since one of the payees was in "South America." Although he has no specific recollection of Zavala's mother-in-law's role regarding the check, Iversen says he may have said something to Zavala about a power of attorney in relation to the check, but "it was not my task to cash the check." The check could have been mailed or delivered to Iversen by the U.S. Marshals for Zavala. Iversen has no recollection of a second, replacement check being provided, although he believes Zavala's wife Doris Salomon may have had some involvement in the cashing of the check.

378. Iversen also claims that Marvin Cahn, Zavala's other defense attorney, was called by someone from DoS who reportedly said that the defense attorneys should not travel to Costa Rica and threatened to pull their passports if they did. Cahn recalls having had telephone discussions with DoS officials regarding Embassy support to the depositions trip. However, he recalls absolutely no threat, explicit or implicit, regarding his passport should he have gone to Costa Rica. Cahn makes clear that, had such threats been made, he would have protested this both in Court and in the media.

379. Cahn does not accept the contention of Zanides, Lassart and Russoniello that the money was given back to Zavala to avoid the cost of taking the depositions. He recalls that the prosecution initially argued that going to Costa Rica to take depositions might involve some element of personal risk, possibly because of the general turmoil in the region. Cahn calls this argument "ridiculous."

380. Cahn also recalls that Russoniello, in justifying the return of the money, claimed that the amount of money involved was not worth contesting. Cahn characterizes Russoniello's assertion as "absolutely ridiculous," noting that he recalls that the U.S. Attorney's Office fought hard in other cases to retain seized assets of even lesser value than the money seized from Zavala.

381. When the money was returned, Cahn recalls having thought that "something is going on." Moreover, Cahn suspects that

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the prosecution did not want the two individuals in Costa Rica to be deposed because that could have led to the disclosure of some type of U.S. Government activity in Central America. Cahn speculates that this was the reason Russoniello chose to return the money and forego using it as evidence against Zavala.

CONCLUSION

382. **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

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TO WHAT EXTENT DID CIA RESPOND TO CONGRESSIONAL INQUIRIES REGARDING THE FROGMAN CASE?

383. A June 12, 1985 routing slip from the DO transmitted to CIA's Comptroller, as an attachment, proposed DO responses to May 2, 1985 questions from the House Appropriations Committee (HAC) regarding the Contras. One question related to allegations of corruption by Contra officials. Included in the lengthy DO response to that particular question was the statement that there was, "according to the FBI, no obvious connection between Zavala and Cabezas and the Nicaraguan resistance." No information has been found to indicate whether or how CIA conveyed this information to the HAC.

384. In the late 1980s, as part of an investigation into matters related to the Contra war, a subcommittee of the Senate Foreign Relations Committee (SFRC) examined alleged Contra links to drug trafficking. CIA records indicate that CIA officials met with the Chief Counsel of the SFRC on May 8, 1986 to discuss the SFRC's investigation. A May 8, 1986 CIA memorandum for the record regarding this meeting noted that the SFRC "had received a letter written by the U.S. Attorney in San Francisco that refuted the charges that members of the democratic resistance had been involved in drug smuggling." Attached to the memorandum was a copy of the March 19, 1986 letter from United States Attorney Russoniello to the *San Francisco Examiner* responding, among other things, to charges that The Frogman Case defendants were in any way connected to the Contras.

385. As part of its investigation, the SFRC asked the FBI to provide the Committee with documents relating to the "San Francisco narcotics investigation on Julio Zavala." As a result of the SFRC request, the FBI asked CIA on February 20, 1987 to review three of the FBI documents that referred to CIA.

386. On April 17, 1987, following a review of the FBI documents, CIA informed the FBI that it could not "consent to the FBI

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providing the SFRC with this information. The documents reveal an Agency source, and it is our policy not to provide such information to a committee which is not charged with the oversight of intelligence agencies."

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Chronology of Key Developments Related to The Frogman Case

1980

July 11	CIA cable makes reference to Julio Zavala as source of drugs for Nicaraguan Government official.

1982

June 17	CIA terminates relationship with the relative of one of the individuals arrested or convicted in connection with The Frogman Case.

1983

January 17	Law enforcement authorities arrest 12 individuals and seize 430 pounds of cocaine in San Francisco.
February 15	Arrest of Julio Zavala, Carlos Cabezas and others. Cocaine, cash and other items seized from Zavala's home.

1984

July 6	Zavala enters guilty plea to conspiracy to import cocaine and possession with intent to distribute cocaine.
July 27	DoS telegram requests U.S. Embassy, San Jose permission for AUSA Zanides and FBI Special Agent to visit San Jose for "court-ordered depositions" of Francisco Aviles and Vicente Rappaccioli.
July 30	LA Division Station informs CIA Headquarters of the DoS telegram. Station misidentifies Rappaccioli as a former asset and Aviles as former San Jose office manager for a Contra support group.
August 1	CIA Headquarters informs LA Division Station no CIA records exist concerning Zavala and there is no

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	known connection between the misidentified former asset, Aviles and Zavala.
August 2	FPLG memorandum indicates CIA representatives are to meet with "the AUSA" on August 7.
August 3	CIA Headquarters informs LA Division Station that the misidentified former asset and Aviles "will testify as to source of money confiscated in cocaine raid in San Francisco" and that CIA representatives will meet with AUSA on August 7 "to draft course of action."
	Telephone conversation between AUSA Zanides and Zavala defense attorney Cahn regarding whether depositions would be necessary if AUSA Zanides "decided to forget the money."
August 7	Date FPLG memorandum indicates CIA representatives are to meet with AUSA.
August 17	LA Division Station reports "U.S. Attorney" visit canceled.
August 20	OGC attorney Strickland informs AUSA Zanides in telephone conversation that CIA has no information in its files pertaining to Zavala.
August 24	CIA Headquarters informs LA Division Station that U.S. Attorney's Office, at OGC request, returned money that had been seized in Zavala's home, thus negating need for Aviles and the misidentified former asset depositions.
September 8	LA Division Station reports that the misidentified former asset had married and was believed to be living in a foreign country.
September 24	U.S. Attorney's Office asks OGC attorney Strickland if there is any reason to seal Iversen declaration that alleges that "CIA has engaged in the cocaine trade."
September 27	Date of cashier's check that returned $36,800 to Zavala.
October 1-4	AUSA Zanides, defense attorneys Iversen and

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	Cahn, and Zavala sign Stipulation Regarding Disposition of Funds" pertaining to "sum of $36,800."
October 2	Date of transmittal letter for cashier's check from AUSA Zanides to defense attorney Iversen.
October 26	OGC weekly report to senior CIA officials makes reference to Zavala case and "raises obvious questions concerning the people we are supporting . . . . "
October 30	Memorandum to Deputy Director for Operations from Counsel to DO downplays concerns expressed in OGC weekly report.
November	Series of CIA cables asking LA Division Stations for information pertaining to Contra support groups and Aviles.

1985

March 19	Zavala found guilty of operating a Continuous Criminal Enterprise and other related charges.
March 29	Zavala sentenced to 10 years confinement.
June	House Appropriations Committee response prepared by CIA that there was, "according to the FBI no obvious connection between Zavala and Cabezas and the Nicaraguan Resistance."
September	Aviles polygraphed during security processing for position with UNO/FARN General Staff.

1986

March 16	*San Francisco Examiner* publishes article linking Contras with drug trafficking activities of Zavala and Cabezas.
March 19	Date of U.S. Attorney Russoniello's letter to the editors of the *San Francisco Examiner* refuting many aspects of the March 16 article.

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April 9	CIA Headquarters asks two LA Division Stations and an FR Division Station for information pertinent to the *San Francisco Examiner* article.
April 10	FR Division Station reports that FBI treated The Frogman Case as purely criminal matter with no known link between Zavala, Cabezas and the Contras.
	LA Division Station reports that allegations linking Fernando Chamorro to California drug traffickers are "completely false." Aviles reportedly dismissed from UNO/FARN as a result of the article.
April 11	LA Division Station reports that Aviles acted independently, possibly in exchange for money.
	LA Division Station reports that Fernando Chamorro denied having knowledge or involvement with Zavala and others named in the *San Francisco Examiner* article.
	CIA Headquarters reports that Aviles and Rappaccioli had acted purely on their own authority when they provided letters on behalf of Zavala to the U.S. District Court.
May 8	In meeting with CIA officials, Chief Counsel for the Senate Foreign Relations Committee (SFRC) indicates that he had "received a letter written by the U.S. Attorney in San Francisco that refuted the charges that members of the democratic resistance had been involved in drug smuggling."
	1987
February 20	In response to a SFRC request for FBI documents pertaining to The Frogman Case, FBI asks CIA to review documents that contain CIA information.
April 17	Following internal review, CIA informs FBI that it could not "consent to your providing the Senate Foreign Relations Committee with this information . . . ."

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CONCLUSIONS

387. **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

388. **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

389. No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any commitment to support the Contra cause or Contra activities undertaken by CIA.

390. Blandon and Meneses claim that they each donated between $3,000 and $40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

391. Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

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392. **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon, or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

393. **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras?** No information has been found to indicate that CIA or individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas or others who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

394. No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized from Zavala belonged to the Contras, it appears this was done though Zavala's wife's connections with old family friends and not because Zavala was active in the Contra movement.

395. **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those who were arrested or charged did have a relationship with CIA until mid-1982.

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396. **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

A. R. Cinquegrana

CONCUR:

F. P. Hitz

Frederick P. Hitz
Inspector General

1/29/98

Date

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